As filed with the Securities and Exchange Commission on November 14, 2022.

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

SKYWARD SPECIALTY INSURANCE GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**6331**	**14-1957288**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

800 Gessner Road, Suite 600
Houston, TX 77024-4284
(713) 935-4800

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

Andrew Robinson
Chief Executive Officer
Skyward Specialty Insurance Group, Inc.
800 Gessner Road, Suite 600
Houston, TX 77024-4284
(713) 935-4800

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

Copies to:

Michael Murphy **Patrick J. O'Malley** **Bianca J. LaCaille** **DLA Piper LLP (US)** **1251 Avenue of the Americas** **New York, NY 10020-1104** **(212) 335-4500**	**Marc D. Jaffe** **Erika L. Weinberg** **Adam V. Johnson** **Latham & Watkins LLP** **1271 Avenue of the Americas** **New York, NY 10020** **(212) 906-1200**

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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. ☐

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

Subject to Completion, Dated November 14, 2022

Shares

Skyward Specialty Insurance Group, Inc.

Common Stock

This is an initial public offering of shares of common stock of Skyward Specialty Insurance Group, Inc. We are offering shares of common stock. The selling stockholders identified in this prospectus are offering an additional shares of our common stock. We will not receive any proceeds from the sale of shares of our common stock by the selling stockholders.

Prior to this offering, there has been no public market for our common stock. It is currently estimated that the initial public offering price per share will be between $ and $. We have applied to list our common stock on the Nasdaq Global Select Market ("Nasdaq") under the symbol "SKWD."

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

See "Risk Factors" beginning on page 21 to read about factors you should consider before buying shares of our common stock.

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

	Per Share	Total
Initial public offering price	$	$
Underwriting discount[(1)]	$	$
Proceeds, before expenses, to Skyward Specialty Insurance Group, Inc.[(1)]	$	$
Proceeds, before expenses, to the selling stockholders	$	$

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

To the extent that the underwriters sell more than shares of our common stock, the underwriters have the option to purchase up to an additional shares of common stock from the selling stockholders at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on , 2022.

Joint Bookrunning Managers

Barclays | **Keefe, Bruyette & Woods** *A Stifel Company*

Joint Bookrunners

Piper Sandler | **JMP Securities** A CITIZENS COMPANY | **Truist Securities** | **Raymond James**

Co-Managers

Academy Securities | **Siebert Williams Shank**

Prospectus dated , 2022.

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You should rely only on the information contained in this prospectus and any free writing prospectus that we may provide to you in connection with this offering. We, the selling stockholders and the underwriters have not authorized anyone to provide you with different information or to make any other representations, and we, the selling stockholders and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information others may give you. We and the selling stockholders are offering to sell, and seeking offers to buy, shares of our common stock only under circumstances and in jurisdictions where it is lawful to do so. Neither we, the selling stockholders nor any of the underwriters are making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than its date. Our business, financial condition, results of operations and prospects may have changed since that date.

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

TRADEMARKS

Our material registered and unregistered trademarks include: Skyward Specialty Insurance Group, Inc.™, SkyDrive™ and SkyHigh™. All other trademarks, trade names and service marks appearing in this prospectus or the documents incorporated by reference herein are the property of their respective owners. Use or display by us of other parties' trademarks, trade dress or products is not intended to and does not imply a relationship with, or endorsements or sponsorship of, us by the trademark or trade dress owner. Solely for convenience, trademarks and tradenames referred to in this prospectus appear without the ® and ™ symbols, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or that the applicable owner will not assert its rights, to these trademarks and tradenames.

MARKET, INDUSTRY AND OTHER DATA

We use market and industry data, forecasts and projections throughout this prospectus. We have obtained certain market and industry data from publicly available industry publications. These sources generally state that the information they provide has been obtained from sources believed to be reliable, but that the accuracy and completeness of the information are not guaranteed. Notwithstanding the foregoing, we believe the market and industry data, forecasts and projections used throughout this prospectus to be reliable as of the date hereof. The forecasts and projections are based on historical market data, and there is no assurance that any of the forecasts or projected amounts will be achieved. The market and industry data used in this prospectus involve risks and uncertainties that are subject to change based on various factors, including those discussed in the section entitled "Risk Factors." These and other factors could cause results to differ materially from those expressed in, or implied by, the estimates made by independent parties and by us. Furthermore, we cannot assure you that a third party using different methods to assemble, analyze or compute industry and market data would obtain the same results.

The source of certain statistical data, estimates and forecasts contained in this prospectus are the following independent industry publications or reports:

A.M. Best, *Expanding Opportunities Boost Surplus Lines Growth and Spur Improved Operating Profits*, dated September 16, 2021.

USE OF NON-GAAP FINANCIAL INFORMATION

This prospectus contains certain financial measures and ratios that are not required by, or presented in accordance with, generally accepted accounting principles in the United States ("GAAP"). We refer to these measures as "non-GAAP financial measures." We use these non-GAAP financial measures when planning, monitoring and evaluating our performance. We have chosen to exclude the net impact of the Loss Portfolio Transfer ("LPT"), all development on reserves fully or partially covered by the LPT, and reinsurance recoveries under the LPT in certain non-GAAP metrics, where noted below, as the business subject to the LPT is not representative of our continuing business strategy. The business subject to the LPT is related to policy years 2017 and prior, was generated and managed under prior leadership, and has either been exited or substantially repositioned during the reevaluation of our portfolio. See the section entitled "Business — Our Business" for more details. We consider these non-GAAP financial measures to be useful metrics for our management and investors to facilitate operating performance comparisons from period to period.

The non-GAAP financial measures we use herein are defined by us as follows:

Underwriting income (loss). We define underwriting income (loss) as income (loss) before income taxes excluding net investment income, net realized and unrealized gains and losses on investments, impairment charges, interest expense, amortization expense and other income and expenses.

Adjusted loss ratio. We define adjusted loss ratio as the ratio of losses and loss adjustment expenses ("LAE"), excluding losses and LAE related to the LPT agreement and all development on reserves fully or partially covered by the LPT agreement, to net earned premiums.

Adjusted combined ratio. We define adjusted combined ratio as the sum of the adjusted loss ratio and the expense ratio.

Adjusted operating income (loss). We define adjusted operating income (loss) as net income excluding the impact of the LPT and all development on reserves fully or partially covered by the LPT and reinsurance recoveries under the LPT, net realized and unrealized gains or losses on investments, goodwill impairment charges and other income and expenses.

Adjusted return on equity. We define adjusted return on equity as adjusted operating income as a percentage of average beginning and ending stockholders' equity, plus any temporary equity, during the applicable period.

Tangible stockholders' equity. We define tangible stockholders' equity as stockholders' equity, plus any temporary equity, during the applicable period less goodwill and intangible assets.

Return on tangible equity. We define return on tangible equity as net income as a percentage of average beginning and ending tangible stockholders' equity during the applicable period.

Adjusted return on tangible equity. We define adjusted return on tangible equity as adjusted operating income as a percentage of average beginning and ending tangible stockholders' equity during the applicable period.

While we believe that these non-GAAP financial measures are useful in evaluating our business, this information should be considered supplemental in nature and is not meant to be a substitute for revenue or net income, in each case as recognized in accordance with GAAP. In addition, other companies, including companies in our industry, may calculate such measures differently, which reduces their usefulness as comparative measures. For more information regarding these non-GAAP financial measures and a reconciliation of such measures to comparable GAAP financial measures, see the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Reconciliation of Non-GAAP Financial Measures."

In addition to the non-GAAP financial measures defined above, we also refer to the following metrics throughout this prospectus, as defined below:

Net retention, expressed as a percentage, is the ratio of net written premiums to gross written premiums.

Loss ratio, expressed as a percentage, is the ratio of losses and LAE to net earned premiums.

Expense ratio, expressed as a percentage, is the ratio of underwriting, acquisition and insurance expenses less commission and fee income to net earned premiums. In certain instances, fee income relates to business placed with other insurers as part of our packaged solution.

Combined ratio is the sum of loss ratio and expense ratio. A combined ratio under 100% indicates an underwriting profit. A combined ratio over 100% indicates an underwriting loss.

Return on equity is net income as a percentage of average beginning and ending stockholders' equity, plus any temporary equity, during the applicable period.

PROSPECTUS SUMMARY

This summary highlights selected information that is presented in greater detail elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully, including the sections titled "Risk Factors," "Special Note Regarding Forward-Looking Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and the related notes included elsewhere in this prospectus before making an investment decision. Unless the context otherwise requires, the terms "Skyward Specialty," "we," "us" and "our" refer to Skyward Specialty Insurance Group, Inc. together with its consolidated subsidiaries. References to the "selling stockholders" refer to the selling stockholders named in this prospectus.

Skyward Specialty Insurance Group, Inc.

Who We Are

We are a growing specialty insurance company delivering commercial property and casualty ("P&C") products and solutions on a non-admitted (or excess and surplus ("E&S")) and admitted basis, predominantly in the United States. We focus our business on markets that are underserved, dislocated and/or for which standard insurance coverages are insufficient or inadequate to meet the needs of businesses, including our customers and prospective customers operating in these markets. Our customers typically require highly specialized, customized underwriting solutions and claims capabilities. As such, we develop and deliver tailored insurance products and services to address each of the niche markets we serve.

Our portfolio of insured risks is highly diversified — we insure customers operating in a wide variety of industries; we distribute through multiple channels; we write multiple lines of business, including general liability, excess liability, professional liability, commercial auto, group accident and health, property, surety and workers' compensation; we insure both short and medium duration liabilities; and our business mix is balanced between E&S and admitted markets. All of these factors enable us to respond to market opportunities and dislocations by deploying capital where we believe we can consistently earn attractive risk-adjusted returns. We believe this diversification, combined with our underwriting and claims expertise, will produce strong growth and consistent profitability across P&C insurance pricing cycles.

We seek to lead in our chosen market niches and establish sustainable competitive positions in these markets. The following key elements underpin our strategy and approach to our business:

1. Providing differentiated products, services and solutions that meet the unique needs of our target markets;
2. Attracting and retaining exceptional underwriting and claims talent and incentivizing our professionals in a manner that aligns with our organization and corporate goals;
3. Amplifying the expertise of our people with advanced technology and analytics that enable superior risk selection, pricing and claims management;
4. Empowering our underwriting and claims teams with considerable authority to make decisions and apply their expertise; and
5. Fostering a culture that promotes nimbleness and responsiveness to market opportunities and dislocation.

We refer to this strategy as "Rule Our Niche" and it forms the basis of our approach to building a strong defensible market position, creating a competitive moat, and winning in our chosen markets. We believe that the principles underlying our strategy are key to achieving and sustaining best-in-class underwriting results through P&C insurance pricing cycles. We consistently strive for excellence in risk selection, pricing, and claims outcomes, and to amplify these critical functions with the use of advanced technology and analytics.

We are led by an entrepreneurial executive management team with decades of insurance leadership experience spanning multiple aspects of the global P&C industry. Our leadership is supported by an experienced team with a broad skillset and aligned around our strategy. We believe our high-quality leadership and underwriting and claims teams, technology DNA, advanced analytics capabilities, diversified book of

business, and strong competitive position in each of our chosen market niches position us to continue to profitably grow our business. We aim to deliver long-term value for our shareholders by generating best-in-class underwriting profitability and book value per share growth across P&C market cycles.

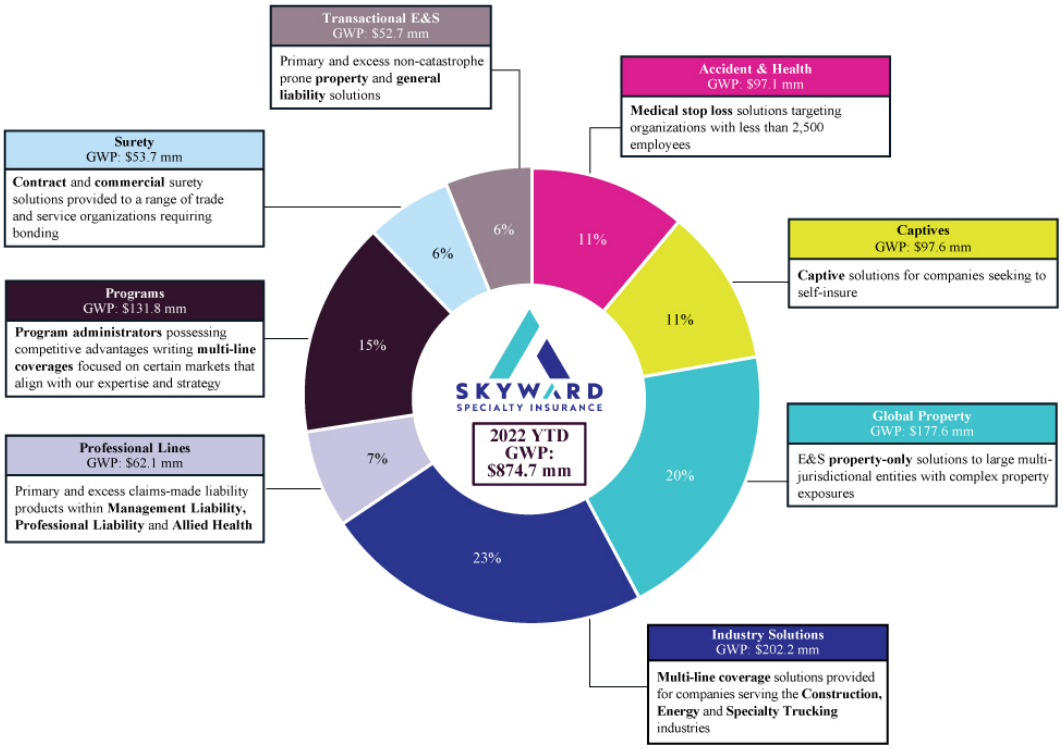
For the nine months ended September 30, 2022, we wrote $879.1 million in gross written premiums and had a combined ratio of 94.7% and an adjusted combined ratio of 92.6%. At September 30, 2022, our stockholders' equity was $399.8 million. For the nine months ended September 30, 2022, we generated $19.0 million and $46.9 million of net income and adjusted operating income, respectively, a 6.1% and 15.2% annualized return on equity and annualized adjusted return on equity, respectively and a 7.9% and 19.4% annualized return on tangible equity and annualized adjusted return on tangible equity, respectively.

For the year ended December 31, 2021, we wrote $939.9 million in gross written premiums, had a combined ratio of 97.8% and an adjusted combined ratio of 94.6%, and our stockholders' equity was $426.1 million at year end, an increase of 8.3% compared to the prior year period. For the year ended December 31, 2021, we generated $38.3 million and $36.1 million of net income and adjusted operating income, respectively, a 9.4% and 8.8% return on equity and adjusted return on equity, respectively and a 11.9% and 11.2% return on tangible equity and adjusted return on tangible equity, respectively. For a reconciliation of adjusted combined ratio to combined ratio, adjusted operating income to net income, adjusted return on equity to return on equity, return on tangible equity to return on equity, and adjusted return on tangible equity to return on equity, see the section entitled "Management's Discussion and Analysis of Financial Conditions and Results of Operations — Reconciliation of Non-GAAP Financial Metrics."

Our Business

We have one reportable segment through which we offer a broad array of insurance coverages to a number of market niches. In order to provide a clear overview of this segment, we provide a presentation of our eight distinct underwriting divisions. Each of the underwriting divisions has dedicated underwriting leadership supported by high-quality technical staff with deep experience in their respective niches. We believe this structure and expertise allow us to serve the needs of our customers effectively and be a value-add partner to our distributors, while earning attractive risk-adjusted returns.

The following chart represents our gross written premiums for continuing business by underwriting division for the nine months ended September 30, 2022 (2022 YTD). See "Our Business"on page 91 for a chart representing our gross written premiums by underwriting division for the year ended December 31, 2021.



Accident & Health: Our Accident & Health ("A&H") underwriting division provides medical stop loss solutions targeting organizations with less than 2,500 employees that are actively seeking to take control of their healthcare costs by self-insuring a portion of their healthcare insurance. We write these products on an admitted basis and distribute primarily through retail brokers and wholesale broker partners.

Captives: Our Captives underwriting division provides group captive solutions by drawing on our underwriting and claims expertise from other underwriting divisions to create group captives for companies seeking to self-insure. Our Captive underwriting division writes property, general liability, commercial auto, excess liability, and workers' compensation lines of business on an E&S and an admitted basis. We often administer this business through partnerships with third-party captive managers.

Global Property: Our Global Property underwriting division provides property-only solutions to large multi-jurisdictional entities with complex property exposures. The business is written entirely on an E&S basis. We distribute this product through retail brokers and select wholesale brokers.

Industry Solutions: Our Industry Solutions underwriting division includes three underwriting units that each provide multiple coverages to the businesses they serve: Construction, Energy and Specialty Trucking. Coverages include general liability, excess liability, commercial auto, workers' compensation, and inland marine. Our Construction and Energy underwriting units write principally on an admitted basis, while our Specialty Trucking unit writes on an E&S basis. We distribute these products through retail agents and brokers and a select network of wholesalers.

Professional Lines: Our Professional Lines underwriting division includes three underwriting units: Management Liability, Professional Liability, and Allied Health. Professional Liability and Allied Health provide E&S primary and excess claims-made liability products distributed exclusively through wholesale

brokers, while our Management Liability unit provides both E&S and admitted products distributed through both wholesale and retail brokers.

Programs: Our Programs underwriting division partners with program administrators who typically possess a competitive advantage (owing to their scale in a particular market niche and/or proprietary technology) that we believe would be difficult for us to replicate on our own. The combination of our underwriting and claims expertise with their scale and/or technology creates a more powerful partnership than either party could present to the market on its own. Our Programs underwriting division writes property, general liability, commercial auto, excess liability, and workers' compensation lines of business on an E&S and an admitted basis.

Surety: Our Surety underwriting division provides contract and commercial surety solutions to a range of trade and services organizations requiring bonding. We principally focus on small to medium sized enterprises with aggregate bond programs up to $50 million. Within our Surety underwriting division, we distribute admitted-only products through retail agents and brokers.

Transactional E&S: Our Transactional E&S underwriting division provides primary and excess non-catastrophe prone property and general liability solutions, with particular emphasis on risks that are considered hard to place because of the complexity of the underlying exposure, loss history, and/or limited operating history (i.e., start up and newer businesses). We access the market in this division exclusively through wholesale brokers.

Our gross written premiums for each of our underwriting divisions for the nine months ending September 30, 2022 and 2021 are as follows:

Total Gross Written Premiums
For the nine months ended September 30,

($ in thousands)	2022	% of Total	2021	% of Total
Industry Solutions	$ 202,237	23.0%	$ 150,599	21.0%
Global Property	177,565	20.2%	140,815	19.7%
Programs	131,752	15.0%	110,301	15.4%
Accident & Health	97,107	11.0%	83,542	11.7%
Captives	97,580	11.1%	70,355	9.8%
Professional Lines	62,127	7.1%	44,060	6.2%
Surety	53,734	6.1%	33,396	4.7%
Transactional E&S	52,645	6.0%	17,492	2.4%
Total continuing business	**$ 874,746**	**99.5%**	**$ 650,560**	**90.9%**
Exited business	4,373	0.5%	65,116	9.1%
Total gross written premiums	**$ 879,119**	**100.0%**	**$ 715,676**	**100.0%**

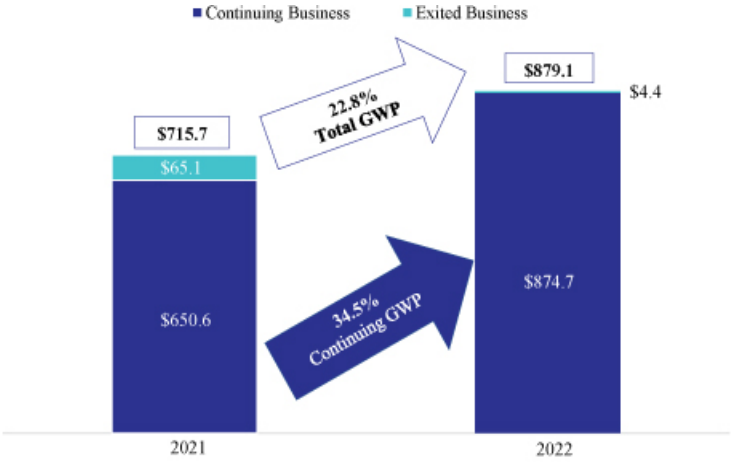
Within every underwriting division, our actions are intentional to "Rule Our Niche." We aim to innovate constantly, and our actions are specific to each of our divisions and the markets we serve. Some notable highlights are:

- ***SkyDrive***: Within our Specialty Trucking underwriting unit, we developed the award-winning, proprietary SkyDrive underwriting and risk management portal for our underwriters, brokers, and insureds to address a market that has been disrupted for some time due to the loss experience of certain incumbent carriers operating in the market. Our portal synthesizes real-time intelligence on driver and fleet history, safety, and performance, utilizing telematics and other data from a variety of sources. We believe the portal significantly increases the power of our risk selection, underwriting, risk management and claims decision-making. Given the success of SkyDrive, we have started to deploy components of SkyDrive across our commercial auto exposures in other underwriting divisions as well.
- ***Quick-Strike***: Across all of our commercial auto lines, we utilize an innovative "quick strike" response to claims events. We seek to have an experienced investigator at the scene of an accident within two hours of the event, regardless of the location, to access, and if appropriate, to resolve quickly any third-party claims.

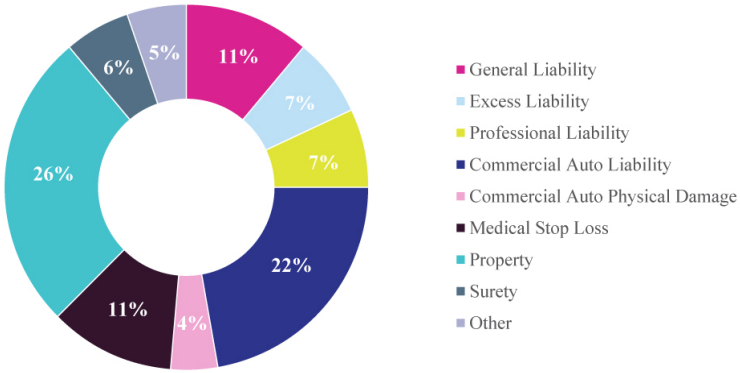
- ***SkyVantage***: Within our Accident & Health underwriting division, we have deployed SkyVantage, our latest technology driven stop-loss solution. SkyVantage leverages big data and machine learning to evaluate group health risk at a deeper level, particularly for smaller accounts (those with less than 250 lives) for which we believe efficient data capture and data fidelity are critical to the underwriting process. We utilize SkyVantage to facilitate risk scoring to augment our experienced underwriters' analyses for risk selection and pricing.
- ***Cannabis Industry***: As part of our focus on underserved markets, we identified the cannabis industry as a market niche not sufficiently served by the P&C insurance industry. In property and general liability lines, we elected to partner with a technology-forward program administrator with specific capabilities for the cannabis industry. We subsequently developed and launched cannabis specific professional and executive liability products we offer directly to our wholesale partners, and then further developed and launched cannabis specific commercial surety products. We identified, evaluated, and launched products across these underwriting divisions in less than six months. We believe we have one of the market leading product offerings for cannabis, one of the fastest growing industries in the United States as measured by sales and job creation.
- ***Construction Captive***: Together with our distribution partners for our Construction underwriting unit, we identified an opportunity to leverage our market leading experience and capabilities in a particular specialty contractor segment. We subsequently developed and launched an innovative captive solution for this segment which is offered side-by-side with our traditional guaranteed cost product. As a result, we have significantly broadened the portion of this market we can serve while leveraging our existing underwriting, claims and analytic expertise.

In addition to the underwriting divisions listed above (which we refer to as our "continuing business"), in the nine months ended September 30, 2022, and prior, we wrote premiums in certain markets and lines of business that we have since exited and placed into run-off following a determination that they did not fit our "Rule Our Niche" strategy. For example, in the year ended December 31, 2020, we initiated a review of our business lines leading to our exiting specialty workers' compensation, lawyers' professional liability, automobile dealers programs, insurance agents and brokers professional liability, title agents professional liability, commercial auto for the timber industry and liability solutions for the hospitality industry. We refer to these lines and businesses, along with others we previously exited, as our "exited business." Gross written premiums in "exited business" was $4.4 million and $65.1 million for the nine months ended September 30, 2022 and 2021, respectively, representing 0.5% and 9.1% of our total gross written premiums for each of these periods. Gross written premiums in "exited business" was $72.0 million and $225.3 million for the years ended December 31, 2021 and 2020, respectively, representing 7.7% and 25.8% of our total gross written premiums for each of these years.

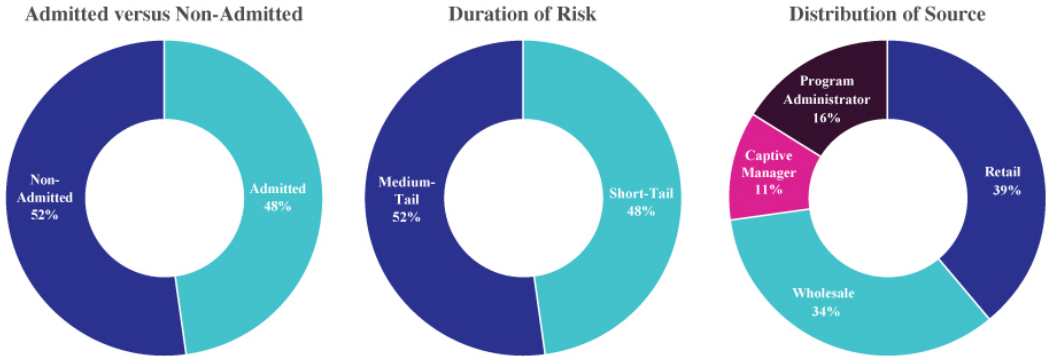
The distribution and growth of gross written premiums between exited business and continuing business for the nine months ended September 30, 2022 and September 30, 2021 are shown below *($ in millions)*.



The following graphic depicts the percentage distribution of gross written premiums for continuing business by line of business for the nine months ended September 30, 2022. See "Our Business" on page 95 depicting the percentage distribution of gross written premiums for continuing business by line of business for the year ended December 31, 2021.



The following charts outline the percentage of gross written premiums for continuing business on an admitted and non-admitted basis, by duration of risk (Short Tail, which is generally less than two years versus Medium Tail, which is generally greater than two years), and by distribution source for the nine months ended September 30, 2022. See "Our Business" on page 96 for a presentation of these charts for the year ended December 31, 2021.



We believe that our claims operations are a key competitive differentiator. Aligning with our focus on specific customer segments and niches, our claims management teams are highly specialized to ensure that they can apply their expertise in handling claims for each niche we serve. Our claims operations are primarily staffed by Skyward Specialty employees, allowing us to maintain full control of the claims-handling process, meet our high-quality standards, and manage our losses and LAE. For the nine months ended September 30, 2022, we handled 74.3% of our claims in-house, measured as a percentage of gross reported losses. In the limited instances where we do not handle claims in-house, we utilize claims adjusters through a third-party administrator ("TPA"). Specifically, we utilize these TPAs for a select set of captives and programs for which the TPA possesses specific expertise that we would not seek to replicate. We also utilize these TPAs for the workers' compensation line of business, given the specific geographical knowledge that is required to adjudicate these claims.

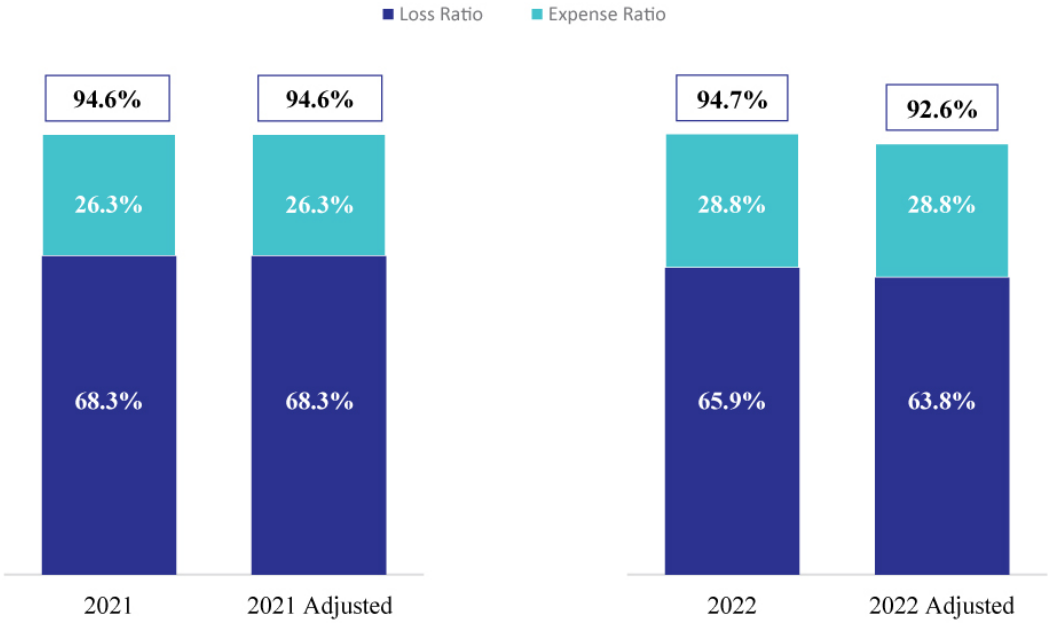
We strategically purchase reinsurance from third parties which enhances our business by protecting capital from severity events (either large single event losses or catastrophes) and volatility in our earnings. As of September 30, 2022, 98% of our reinsurance recoverables were either derived from reinsurers rated "A-" (Excellent) by A.M. Best, or better, or were collateralized for our reinsurance recoverable by the reinsurer. We treat our reinsurers as long-term partners. As such, we target underwriting profitability on a gross basis before

utilization of reinsurance to ensure consistent support from our reinsurance partners and to protect ourselves from changes in the reinsurance market. Our reinsurance includes quota share, facultative, and excess of loss coverages. Based upon our modeling, it would take an event beyond our 1 in 250-year Probable Maximum Loss ("PML") to exhaust our $25.0 million property catastrophe coverage. Additionally, we seek to expose no more than 3.0% of our stockholders' equity to a catastrophic loss that is less than a 1 in 250-year event.

We believe a strong balance sheet is foundational to our ability to deliver superior financial performance and returns as it underpins our distribution partners' and customers' confidence in our business. Our insurance liabilities consist of losses and LAE reserves including cost of claims reported to us ("case reserves") and estimates of cost of claims that have been incurred but not yet reported ("IBNR"). To illustrate our reserve strength, our net IBNR reserves as a percentage of total net losses and LAE reserves was 62.2% as of September 30, 2022, up from 60.0% as of December 31, 2021, and up from 57.3% as of December 31, 2020. A centerpiece of our strong balance sheet is our rigorous reserving practices designed and overseen by experienced claims professionals and actuaries. Since 2020, we have focused on materially strengthening both the quality of our claims team and the processes and guidelines by which case reserves are set and managed. In this regard, our entire claims team works diligently to identify and recognize loss exposures as early as possible in the claims-handling process. For example, our reserving guidelines direct our adjusters to use their best estimate to set liability reserves to an expected ultimate loss within 90 days of first notice of loss.

Similarly, we have invested considerably in our actuarial team, increasing the number of members of our actuarial team by fifty percent (50%) since January 1, 2020. The actuarial team has monthly meetings with each of the underwriting divisions and our claims professionals, to discuss trends inclusive of, loss frequency, severity, rate and retention by class and line of business. Additionally, we put in place rigorous risk oversight measures including the formation of a reserve committee that meets twice a quarter. We measure each of the key loss metrics by policy year against prior policy years at the same development ages to ensure the business is performing as expected.

Additionally, in 2020, we entered into a LPT agreement covering policy years 2017 and prior to limit our exposure to potential loss reserve development on the covered business produced during those years. The LPT agreement covers the majority of our exited business. This protection has allowed our management team to focus on our continuing business which we believe provides the best path for continued profitable growth. The following graphic depicts the Loss Ratios, Expense Ratios and Combined Ratios for the nine months ended September 30, 2022 versus September 30, 2021 on a reported and adjusted basis. See the section entitled "Business — Reserves" for additional information on the LPT agreement.



We believe our recent underwriting results begin to highlight the impact these initiatives have had on our business and position us to deliver consistently attractive underwriting results across P&C market cycles.

We complement our strong reserve position with a conservative investment portfolio overseen by our Investment Committee. Our portfolio is mainly comprised of cash and cash equivalents and investment-grade fixed-maturity securities, supplemented by additional investments that fit our risk appetite, principally higher yielding direct lending strategies and equities. Other investments, while typically not rated securities, are generally lower volatility fixed income loans and securities that we believe provide us with risk-adjusted returns above what is achievable in liquid investment grade markets. We call this part of our investment portfolio Opportunistic Fixed Income. Our fixed maturity securities, including both core fixed income and opportunistic fixed income, together comprising 72.9% of our total investments and cash as of September 30, 2022, had a weighted average effective duration of 3.2 years as of September 30, 2022, and an average core fixed income credit rating of "AA" (Standard & Poor's) as of September 30, 2022.

We seek to maintain an "A-" (Excellent) or better financial strength rating with A.M. Best, which we carry today with a stable outlook. This is the fourth highest of 16 ratings assigned by A.M. Best to insurance companies. Maintaining a strong rating from A.M. Best helps us demonstrate our financial strength to policyholders and distribution partners, which we believe is a critical factor in the decision to purchase insurance.

Our Competitive Strengths

We believe that our competitive strengths include:

Focus on profitable niches of the market that require technical underwriting and claims management as barriers to entry.

We believe that the niche areas of the commercial lines P&C markets we have selected are a highly attractive subset of the P&C insurance market and present an opportunity to generate attractive risk-adjusted returns. We actively target markets that are underserved, dislocated or for which standard, commoditized products are insufficient or inadequate to meet the needs of our customers. The unique characteristics of the risks within our core markets require each account to be efficiently and individually underwritten, in order for us to generate an acceptable, sustainable underwriting profit. Many carriers have chosen to reject businesses that they deem to be too complex, or that requires thoughtful individual underwriting; or, alternatively, have focused on simple small account risks for which more automated underwriting can be effective. Instead, we have chosen to build our underwriting divisions around deeply experienced underwriters who we empower with appropriate authority to make underwriting decisions. This structure enables us to offer innovative and unique products and solutions to our distribution partners and customers, regardless of how challenging or complex a risk may be. Further, we augment our underwriters' experience with data and predictive analytics that are intended to differentiate risk selection and pricing decision-making while enhancing efficiency.

Highly skilled underwriters.

We focus on hiring underwriting and technical staff who help differentiate our company through their expertise and experience. Our underwriting teams are knowledgeable, experienced, and empowered — characteristics which are critical to operate successfully in the markets we serve, especially since many of the risks we underwrite are particularly difficult to automate. We do not impose strict underwriting rules (i.e., we are not "box" underwriters), but rather allow our professionals the freedom to use their expertise and judgment when evaluating and pricing risks. Simply put, we give our people the tools and appropriate authority to make decisions and do what they do best — profitably underwrite complex risks.

Superior claims staff and operations.

We have cultivated a best-in-class and highly specialized team of claims professionals who are highly knowledgeable about the niches we serve and lines of business we write. Our claims professionals systematically address first party claims with fair and equitable solutions and third-party claims with holistic and comprehensive responses, in each case seeking to ensure consistent and early loss recognition of indemnity and LAE.

When a claim is reported, we respond quickly, with specialized adjusters, who are armed with expertise, advanced technology and analytics, to assist them in the claims resolution process. We embed technology deeply into our claims process and leverage our technology-enabled platform and tools from first notice of loss to investigation to settlement. Our analytics capabilities used by our senior leadership and claims teams include real-time, detailed information on open claims and benchmarks against closed claims. We believe that our industry expertise, nimble culture, and technology-embedded claims processes enables us to reach fair and appropriate claims outcomes for our customers.

Superior business intelligence platform.

SkyBI, our business intelligence platform, focuses on providing our senior leadership, as well as our technical teams, with real-time intelligence to drive superior decision making. SkyBI reflects the best practices our management team has learned from its extensive experience across the P&C insurance and technology sectors. We developed SkyBI, our single, comprehensive enterprise-wide data repository, as our foundation for reporting, business intelligence, analytics, and other advanced data capabilities. It provides our organization information and performance metrics across the Company in an easy-to-consume visualized format. The data can be filtered by many categories, including distributor, customer segment, line of business, specific industry, individual underwriter, and specific risk feature among others. SkyBI aids in establishing clear line of sight to objectives as well as facilitating our decision-making processes.

Advanced technology and new risk data for underwriting and claims.

We fundamentally believe that every underwriting and claims decision can be augmented with the use of new types of risk data and advanced technology. While our underwriting decisions are backed by reliable historical data and in-depth evaluation of risks resulting from intentional investment in data collection and processing capabilities, we amplify our underwriting and claims prowess by combining this data with new forms of risk data and predictive analytics. Examples of our utilization of technology include our use of SkyDrive in our Specialty Trucking unit and deployment of data collection and analytics in our A&H line described in the section entitled “Business — Our Business.”

Diversified business that allows us to respond to, and capitalize on, changes in market conditions across P&C cycles.

We have been successful in building a diversified group of underwriting divisions. We aim to evolve with, and adapt to, ever-changing market conditions. For the nine months ended September 30, 2022, for continuing business, (i) we wrote premiums spanning eight underwriting divisions, including three with more than $100 million of gross written premiums, (ii) our mix of gross written premiums by line was 48% short tail and 52% medium tail, and (iii) our gross written premiums were 48% admitted lines and 52% non-admitted lines. We believe the diversity of our book allows us to respond to — and capitalize on — market opportunities and dislocations across P&C insurance market and pricing cycles resulting in a durable insurance franchise.

Attractive and winning culture.

As evidenced by our internal surveys and public information such as that available on Glassdoor and LinkedIn, we have built a distinctive winning culture. Key to our culture and operating approach is a flat structure of communication and decision-making. We trust our staff to make decisions that produce or exceed our desired financial results, and we support our staff with a clear system of measurement to gauge performance. Our use of advanced technology to enhance, but not replace, our underwriting and claims teams’ decision-making is both practical and a source of value to our professionals. We pride ourselves on maintaining an entrepreneurial environment that encourages and rewards a proactive approach to capitalize on market disruption. This environment is not only consistent with our identity as a specialty insurer but also a foundation for our success in attracting great talent and our objective of delivering best-in-class results.

High-quality, experienced leadership team that is aligned with our shareholders.

Led by our CEO, Andrew Robinson, we have an experienced, innovative and entrepreneurial executive leadership team with a track record of success in senior management roles at industry leading property and casualty companies as well as in starting and building new businesses in our industry. Our team has an average

of 27 years of experience in nearly all facets of the P&C insurance sector including underwriting, claims, technology, investment management, risk management, finance, actuarial and operations.

Prior to assuming the role as our CEO in May 2020, Mr. Robinson was the President of Specialty, EVP Corporate Development and Chief Risk Officer at The Hanover Insurance Group, Inc. During his 10 plus year tenure at The Hanover Insurance Group, Inc., Mr. Robinson established its specialty business segment, building it into a business with more than three quarters of a billion dollars in gross written premiums. Immediately prior to joining Skyward Specialty, Mr. Robinson served as executive-in-residence for venture and growth equity firm Oak HC/FT Partners, giving him significant exposure to numerous fintech and technology companies and related investment opportunities, including a period as Chairman and Co-CEO of one portfolio company and Chairman of another portfolio company. Earlier in Mr. Robinson's career, he spent twenty years in strategy consulting including as the global insurance practice head for Diamond (now PwC) Consulting.

Our CFO, Mark Haushill, has more than 25 years of experience in the insurance industry including as a public company CFO at Argo Group International Holdings, Ltd. and American Safety Insurance Holdings, Ltd. Mr. Haushill is a certified public accountant and spent the first part of his career at KPMG. Kirby Hill, our President of Industry Solutions, Captives and Programs underwriting divisions, has more than 30 years of experience spanning multiple facets of the insurance business. Prior to joining Skyward Specialty, Mr. Hill was CEO and Co-Founder of Norwich Holding Co., a company specializing in the development, implementation and administration of commercial specialty insurance products and programs, and prior to that in various multiline underwriting positions at PMA Insurance Corporation and American International Group, Inc. (AIG). John Burkhart, our President of Specialty Lines overseeing the Professional Lines, Surety, Transactional E&S and A&H underwriting divisions, has approximately 30 years of underwriting experience, previously as SVP & Head of Professional Lines & Industry Verticals at QBE Insurance Group Limited and Global Product Manager, Specialty Underwriting at Chubb Limited. Sean Duffy, our Chief Claims Officer and Executive Vice President, has more than 27 years of claims experience in large commercial and specialty insurance claims departments. Prior to joining Skyward Specialty, Mr. Duffy was Senior Vice President, Chief Claims Officer at OneBeacon Insurance, and also held senior claims roles at insurers Great American Insurance and Travelers. In addition, the remaining members of our senior leadership team have significant experience in their respective fields of expertise.

Our entire senior leadership's compensation is directly aligned with our shareholders. Each of our leaders have a material portion of their compensation in the form of long-term and short-term incentives tied to delivering sustainable, best-in-class underwriting returns. Select members of our executive leadership team have additional long term incentive targets tied directly to growth in book value per share. See the section entitled "Executive Compensation" for additional details.

Our Strategy in Action

With everything we do — from recruiting to marketing to underwriting to loss adjusting and claims resolution — we seek to follow the core tenets of our "Rule Our Niche" strategy. This strategy is based on (i) selecting underserved market niches with attractive risk-adjusted returns for which commoditized products are inadequate to meet the needs of customers; and (ii) building sustainable defensible competitive positions in these markets with talent and technology. We believe our "Rule Our Niche" strategy will help us achieve our goal of generating best-in-class underwriting profitability for our niches while creating superior long-term shareholder value through growth in book value per share. The core tenets of our "Rule Our Niche" strategy include:

Attract and retain blue-chip underwriting and claims talent to expand and enhance our market position.

We seek to hire the most talented technical underwriting professionals who have long-standing industry relationships with distribution partners and claims professionals with expertise in the niches we write. We believe that we have become a company of choice for the best talent in our industry and, as such, we will continue to grow our market position by bringing on world-class talent in our chosen markets.

Leverage our technology DNA to further distance ourselves from the competition.

We have demonstrated a differentiated ability to utilize new forms of risk data and advanced technology within the more complex, higher severity risk categories of the specialty P&C insurance market. SkyBI gives us the ability to promptly sense and quickly respond to market changes, while our core operating platforms allow us to move into new markets efficiently and without the complexity of burdensome systems.

Profitably grow existing lines of business and expand with new underwriting divisions.

We believe we are well-positioned to take advantage of several trends impacting our customers in the United States and globally. One such trend is the continued rise in demand for specialized insurance solutions because of increasing risks, as well as the complexity of risks, due to climate change/increased frequency of severe weather events, supply chain uncertainty, financial inflation risk, cyber risk, emergence of novel health risks (including the COVID-19 pandemic), increased level of litigation, attorney involvement and jury awards, and healthcare delivery and cost. Another such noticeable market trend is the emergence of a variety of "micro cycles and micro dislocations" where different pockets of the P&C insurance market experience hardening and softening at different times. During the year ended December 31, 2021, we demonstrated our ability to react quickly in response to these trends by launching our Allied Health professional lines underwriting unit, entering the cannabis industry in three of our underwriting divisions, completing the acquisition of Aegis Surety, announcing a program administration technology partnership in cargo, launching two new captive solutions and adding an excess liability capability in our E&S business. We executed these expansions as part of growing gross written premiums of our continuing business from $648.3 million for the year ended December 31, 2020 to $874.7 million for the nine months ended September 30, 2022 alone.

Differentiate on daily excellence to drive best-in-class underwriting performance.

We believe that our ability to meet our long-term goals, including achieving best-in-class underwriting returns and growth in book value per share, relies on how well we execute our day-to-day operations across all of our functional departments. SkyBI provides the foundation by which our senior management can monitor our performance, whether it is renewal rates, new business pricing and portfolio performance for an individual underwriter, or claims ageing and reserving practices and outcomes by claims adjusters. Our focus on the fundamentals that drive underwriting excellence is at the center of our strategy.

Use our balance sheet to capture a larger part of the market we serve.

We are committed to establishing and maintaining a strong balance sheet, starting with conservative loss reserves and strong capitalization ratios. We believe this is imperative to maintain the confidence of customers, distribution partners, reinsurers, regulators, rating agencies and shareholders.

Since 2019, in addition to executing the previously noted LPT to limit our exposure to potential loss reserve development primarily associated with certain exited business, we have materially strengthened our claims case reserves practices with the aim to reserve to the expected ultimate loss within 90 days of first notice of loss. In addition, we have intentionally increased the level of IBNR reserves held above our claims case reserves to a more conservative position. Our net IBNR as a percentage of total net losses and LAE reserves was 62.2% as of September 30, 2022, up from 60.0% as of December 31, 2021, and up from 57.3% as of December 31, 2020. We believe our reserve position is now the strongest it has been in our history and positions us well for consistently strong underwriting profitability in the future.

Following this offering, we intend to contribute capital into our operating insurance companies to progress towards the size category X as set by A.M. Best, which is defined as companies having between $500 million and $750 million of adjusted policyholders' surplus. We believe this A.M. Best designation will provide us with further opportunities to expand in the markets we serve, as well as provide us with options to increase our net retentions on business we currently write.

Our History

Skyward Specialty was formed as a Delaware corporation on January 3, 2006 as an insurance holding company. We operated under the name Houston International Insurance Group, Ltd. until we re-branded as

Skyward Specialty in November 2020. We were founded for the purpose of underwriting commercial property and casualty insurance coverages for specialized customer niches and industries.

Our founding shareholders and management set out to build a leading specialty insurance provider underwriting across the United States and select niche global markets. The foundation for the company was established — and its business and geographic footprint widened — in part, through a series of acquisitions of insurance carriers and other insurance service providers beginning in 2007. In July 2014, to provide liquidity for certain of our then-shareholders as well as capital for the continued expansion of the business, we sold an interest in the company to an investment consortium led by The Westaim Corporation ("Westaim"), our largest shareholder as of the time of this offering. In the years following Westaim's investment, we continued to pursue organic growth in specialty P&C markets, supplemented by various strategic investments and acquisitions to enhance existing capabilities or enter new markets.

In 2020, we embarked upon a series of changes to refocus our strategy and position us for emerging opportunities in our chosen markets:

- In April 2020, we entered into the previously noted LPT reinsurance transaction covering certain business written during policy years 2017 and prior, to limit our exposure to potential loss reserve development primarily associated with certain exited business and to allow our management team to focus on the continuing business which we believe provides the best path for continued profitable growth.
- In April 2020, we raised approximately $100 million of capital from our existing investors to (i) provide capital to grow in the hardening pricing environment, (ii) position us for growth during a period of market dislocation, and (iii) strengthen our balance sheet.
- In May 2020, we appointed Andrew Robinson as our Chief Executive Officer. Under Mr. Robinson's leadership, we developed and implemented our "Rule Our Niche" strategy. As part of this strategy, we implemented additional changes that further transformed our business. These changes have included (i) substantial strengthening of our underwriting, claims and actuarial teams and support functions, (ii) improving the company culture with particular focus on attracting, retaining and developing top talent, (iii) considerable investment in our business intelligence technology capabilities and use of advanced technology for underwriting and claims decision-making, and (iv) a disciplined approach to focus only on the niches in which we believe we can earn an attractive underwriting profit and build sustainable and defensible positions.

As part of this strategy, we have taken several steps including, but not limited to, the following:

- Made multiple key hires across the organization — including underwriting, claims and technology — bringing us a diversity of world-class leadership and underwriting and claims expertise in select specialty lines;
- Launched select underwriting divisions, units and product lines where we believe we have — or can establish — defensible positions in high-profit niches to deliver consistent, best-in-class returns. Examples include Transactional E&S Lines, Allied Health Professional Liability and a range of insurance solutions for the cannabis industry;
- Acquired Aegis Surety, substantially increasing our scale in surety, deepening our surety underwriting and leadership team, and positioning the business line for profitable growth;
- Exited underperforming classes and divisions that did not fit with our "Rule Our Niche" strategy, including specialty workers' compensation, lawyers' professional liability, automobile dealers programs, insurance agents and brokers professional liability, title agents liability, commercial auto for the timber industry and liability solutions for the hospitality industry;
- Invested significantly in our technology to amplify the capabilities and expertise of our people, using advance data and analytics to improve our decision-making, and facilitate our expansion into new business lines; and
- Implemented our name change and rebranding to Skyward Specialty, aligning with our repositioned business and culture.

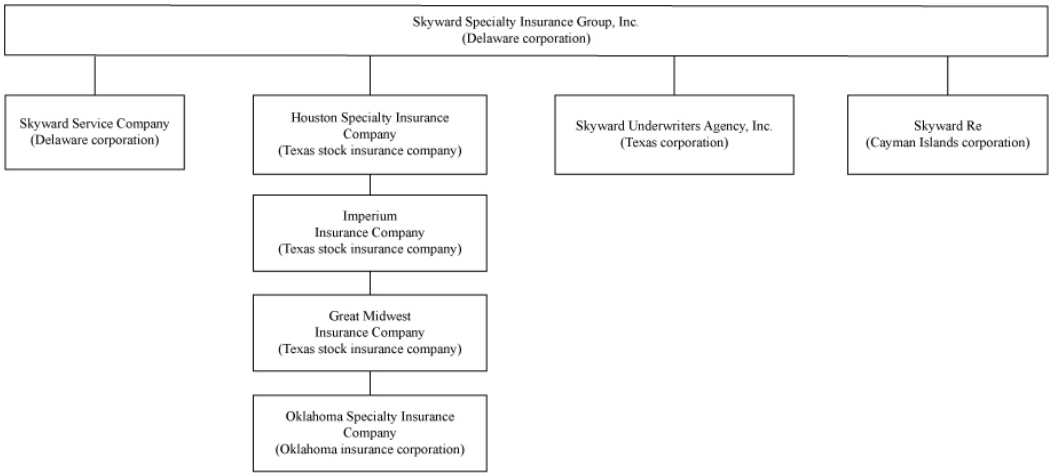
We believe our strategy and actions are positioning us for long-term, sustainable growth and profitability that is among the best in the specialty P&C marketplace. Our momentum is strong and accelerating and we believe we are well-situated to continue our growth trajectory and consistently achieve best-in-class underwriting returns and return on equity.

Our Structure

We conduct our operations principally through four insurance companies. Houston Specialty Insurance Company ("HSIC"), which is our largest insurance subsidiary, underwrites multiple lines of insurance on a surplus lines basis in 50 states and the District of Columbia. Imperium Insurance Company ("IIC"), a subsidiary of HSIC, underwrites on an admitted basis in all 50 states and the District of Columbia. Great Midwest Insurance Company ("GMIC"), a subsidiary of IIC, underwrites multiple lines of insurance on an admitted basis in all 50 states and the District of Columbia. Oklahoma Specialty Insurance Company ("OSIC"), a subsidiary of GMIC, is an approved surplus lines carrier in 47 states and the District of Columbia.

In addition to our primary insurance companies, we also own Skyward Re, a wholly-owned captive reinsurance company domiciled in the Cayman Islands that was incorporated on January 7, 2020. Skyward Re was established to facilitate the LPT. We also operate two non-insurance companies: Skyward Underwriters Agency, Inc., a licensed agent, managing general agent and reinsurance broker, and Skyward Service Company, which provides various administrative services to our subsidiaries.

Our organizational structure is set forth below. Each entity is wholly-owned by its immediate parent.



Our Corporate Information

Skyward Specialty Insurance Group, Inc. is an insurance holding company incorporated in Delaware that was organized in 2006. Our principal executive office is located at 800 Gessner Road, Suite 600, Houston, TX 77024 and our telephone number is (713) 935-4800. Our website address is www.skywardinsurance.com. Information contained on, or that can be accessed through, our website is not part of and is not incorporated by reference into this prospectus, and you should not consider information on our website to be part of this prospectus.

In September 2022, the Board and stockholders approved a 4-for-1 reverse stock split of our common stock which will be effected prior to the completion of this offering. All shares of common stock, stock-based instruments and per-share data included in this prospectus gives effect to the stock split and have been adjusted retroactively for all periods presented.

Risk Factors

Investing in our common stock involves risks, which are discussed more fully under "Risk Factors." You should carefully consider all the information in this prospectus, including under "Risk Factors," before making an investment decision. These risks include, but are not limited to, the following:

- our financial condition and results of operations could be materially adversely affected if we do not accurately assess our underwriting risk;
- competition for business in our industry is intense;
- because our business depends on insurance retail agents and brokers, wholesalers and program administrators, we are exposed to certain risks arising out of our reliance on these distribution channels that could adversely affect our results;
- we may be unable to purchase third-party reinsurance in amounts we desire on commercially acceptable terms or on terms that adequately protect us, and this inability may materially adversely affect our business, financial condition and results of operations;
- our losses and loss expense reserves may be inadequate to cover our actual losses, which could have a material adverse effect on our financial condition, results of operations and cash flows;
- a decline in our financial strength rating may adversely affect the amount of business we write;
- unexpected changes in the interpretation of our coverage or provisions, including loss limitations and exclusions, in our policies could have a material adverse effect on our financial condition and results of operations;
- our reinsurers may not reimburse us for claims on a timely basis, or at all, which may materially adversely affect our business, financial condition and results of operations;
- our failure to accurately and timely pay claims could materially and adversely affect our business, financial condition, results of operations, and prospects;
- adverse economic factors, including recession, inflation, periods of high unemployment or lower economic activity could result in the sale of fewer policies than expected or an increase in the frequency of claims and premium defaults, and even the falsification of claims, or a combination of these effects, which, in turn, could affect our growth and profitability;
- the insurance business is historically cyclical in nature and we believe we are currently experiencing a relatively hard market cycle, which may affect our financial performance and cause our operating results to vary from quarter to quarter and may not be indicative of future performance;
- we are subject to extensive regulation, which may adversely affect our ability to achieve our business objectives; failure to comply with these regulations could subject us to penalties, including fines and suspensions, which may adversely affect our financial condition and results of operations;
- we could be adversely affected by the loss of one or more key personnel or by an inability to attract and retain qualified personnel;
- we have identified a material weakness in our internal controls over financial reporting, and if we are unable to remediate this material weakness, if we experience additional material weaknesses, or fail to achieve and maintain effective internal controls, our operating results and financial condition could be impacted and the market price of our common stock may be negatively affected; and
- our costs will increase significantly as a result of operating as a public company, and our management will be required to devote substantial time to complying with public company regulations.

Implications of Being an Emerging Growth Company

We qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of relief from certain reporting requirements and other burdens that are otherwise applicable generally to public companies. These provisions include:

- reduced obligations with respect to financial data, including presenting only two years of audited financial statements;

- an exemption from compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act;
- reduced disclosure about our executive compensation arrangements in our periodic reports, proxy statements, and registration statements; and
- exemptions from the requirements of holding non-binding advisory votes on executive compensation or golden parachute arrangements.

In addition, under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to avail ourselves of this extended transition period and, as a result, we will not be required to adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of $1.235 billion or more; (ii) the last day of our fiscal year following the fifth anniversary of the date of the completion of this offering; (iii) the date on which we have issued more than $1 billion in nonconvertible debt during the previous three years; and (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC. We may choose to take advantage of some but not all of these reduced reporting requirements and other burdens that are otherwise applicable generally to public companies.

The Offering

Common stock offered by us	shares
Common stock offered by the selling stockholders	shares
Common stock outstanding after this offering	shares
Option to purchase additional shares of common stock offered in this offering	We have granted the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase from the selling stockholders up to an additional shares.
Use of proceeds	We estimate that the net proceeds to us from the sale of shares of our common stock in this offering will be approximately $ million (or approximately $ million if the underwriters' option to purchase additional shares is exercised in full) based upon the assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting the estimated underwriting discounts and estimated offering expenses payable by us. We will not receive any of the proceeds from the sale of our common stock in this offering by the selling stockholders. The principal purposes of this offering are to increase our capitalization and financial flexibility, create a public market for our common stock and thereby enable access to the public equity markets for us and our stockholders. We intend to use approximately $ of the net proceeds to us from this offering to make capital contributions to our insurance company subsidiaries in order to grow our business and the remainder for general corporate purposes. See "Use of Proceeds" for a more complete description of the intended use of proceeds from this offering.
Proposed Nasdaq trading symbol	"SKWD"
Risk factors	You should read the section entitled "Risk Factors" and the other information included elsewhere in this prospectus for a discussion of some of the risks and uncertainties you should carefully consider before deciding to invest in our common stock.
Dividend policy	We currently do not intend to declare any dividends on our common stock in the foreseeable future. Our ability to pay dividends on our common stock may be limited by the terms of any future debt or preferred securities we may issue or any future credit facilities we may enter into. See the section entitled "Dividend Policy."

The total number of shares of our common stock that will be outstanding after this offering includes 16,544,974 shares of common stock, and 1,969,660 shares of preferred stock (which will convert into shares of our common stock immediately prior to the closing of this offering, based on a conversion price equal to $6.04 per share of common stock) outstanding as of September 30, 2022, and excludes:

- shares of common stock reserved for future issuance under our 2022 Long-Term Incentive Plan, or the 2022 Plan including options to purchase shares of common stock, restricted stock and restricted stock unit awards representing an aggregate amount of shares of common stock, that our Compensation Committee granted to employees and non-employee directors following the effectiveness of the registration statement on Form S-1 of which this prospectus forms a part and pricing of this offering; and
- shares of common stock reserved for future issuance under our 2022 Employee Stock Purchase Plan, or the ESPP, which will become effective in connection with this offering.

Unless otherwise indicated, this prospectus assumes or gives effect to the following:

- the filing and effectiveness of our amended and restated certificate of incorporation to be effective immediately prior to the closing of this offering, or our Certificate of Incorporation, and the adoption of our amended and restated bylaws to be effective immediately prior to the closing of this offering, or our Bylaws;
- a 4-for-1 reverse stock split of our common stock effected on , 2022;
- the automatic conversion of all outstanding shares of our convertible preferred stock into 16,305,113 shares of our common stock immediately prior to the closing of this offering, based on a conversion price equal to $6.04 per share of common stock; and
- no exercise by the underwriters of their option to purchase additional shares of our common stock.

Summary Consolidated Financial and Other Data

The following tables present our summary consolidated financial and other data as of and for the periods indicated.

The summary consolidated statements of operations data for the nine months ended September 30, 2022 and 2021, and the summary consolidated balance sheet data as of September 30, 2022 are derived from our unaudited consolidated financial statements included elsewhere in this prospectus. In the opinion of management, the unaudited consolidated financial data for the interim periods included in this prospectus include all normal and recurring adjustments that we consider necessary for the fair presentation of such data for the respective interim period.

The summary consolidated statements of operations data for the fiscal years ended December 31, 2021 and 2020, and the summary consolidated balance sheet data as of December 31, 2021 and 2020 are derived from our annual consolidated financial statements included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that should be expected in any future period.

You should read this data together with our audited consolidated financial statements and related notes, as well as the information under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," included elsewhere in this prospectus.

	For the nine months ended September 30,		For the years ended December 31,	
($ in thousands, except per share amounts)	**2022**	**2021**	**2021**	**2020**
Revenues:				
Gross written premiums	$ 879,119	$ 715,676	$ 939,859	$ 873,613
Ceded written premiums	(383,533)	(327,512)	(410,716)	(412,090)
Net written premiums	**$ 495,586**	**$ 388,164**	**$ 529,143**	**$ 461,523**
Net earned premiums	$ 445,851	$ 366,052	$ 499,823	$ 431,911
Commission and fee income	3,652	2,664	3,973	5,664
Net investment income	31,667	20,616	24,646	14,130
Net investment (losses) gains	(26,117)	10,021	17,107	139
Other income and expenses	—	3,560	4,632	128
Total revenues	**$ 455,053**	**$ 402,913**	**$ 550,181**	**$ 451,972**
Expenses:				
Losses and LAE	293,536	249,828	354,411	362,182
Underwriting, acquisition and insurance expenses	132,258	98,993	138,498	119,818
Impairment charges	—	2,821	2,821	57,582
Interest expense	4,280	3,465	4,622	5,532
Amortization expense	1,160	1,133	1,520	1,390
Total expenses	**$ 431,234**	**$ 356,240**	**$ 501,872**	**$ 546,504**
Income (loss) before federal income tax	**23,819**	**46,673**	**48,309**	**(94,532)**
Federal income tax expense (benefit)	4,842	9,671	9,992	(19,890)
Net income (loss)	**$ 18,977**	**$ 37,002**	**$ 38,317**	**$ (74,642)**
Adjusted operating income[(1)]	**$ 46,934**	**$ 28,502**	**$ 36,062**	**$ 17,876**

($ in thousands, except per share amounts)	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021	For the years ended December 31, 2021	For the years ended December 31, 2020
Share and Per Share Data:				
Basic earnings per share[2]	$ 0.60	$ 1.17	$ 1.21	$ (4.60)
Diluted earnings per share	$ 0.58	$ 1.14	$ 1.18	$ (4.60)
Basic adjusted earnings per share[3]	$ 1.48	$ 0.90	$ 1.14	$ 1.10
Diluted adjusted earnings per share	$ 1.44	$ 0.88	$ 1.11	$ 1.10
Weighted average basic shares	16,464,313	16,297,668	16,308,712	16,213,953
Weighted average diluted shares	32,598,669	32,379,830	32,468,048	16,213,953
Shares outstanding[4]	16,544,974	16,551,386	16,533,620	16,411,462
Fully diluted shares outstanding[4]	33,290,681	33,335,504	33,082,691	32,991,220
Book value[5] per share[6]	$ 24.58	$ 26.46	$ 26.32	$ 24.13
Fully diluted book value[5] per share[6]	$ 12.22	$ 13.14	$ 13.15	$ 12.00
Fully diluted tangible book value[5] per share[6]	$ 9.51	$ 10.33	$ 10.39	$ 9.46
Underwriting and Other Ratio:				
Loss ratio	65.9%	68.3%	70.9%	83.9%
Expense ratio	28.8%	26.3%	26.9%	26.4%
Combined ratio	**94.7%**	**94.6%**	**97.8%**	**110.3%**
Adjusted loss ratio[1]	63.8%	68.3%	67.7%	70.0%
Expense ratio	28.8%	26.3%	26.9%	26.4%
Adjusted combined ratio[1]	**92.6%**	**94.6%**	**94.6%**	**96.4%**
Return on equity[7]	6.1%	12.0%	9.4%	(19.5)%
Adjusted return on equity[1][7]	15.2%	9.2%	8.8%	4.7%
Return on tangible equity[1][7]	7.9%	15.3%	11.9%	(27.7)%
Adjusted return on tangible equity[1][7]	19.4%	11.8%	11.2%	6.6%

($ in thousands, except per share amounts)	As of September 30, 2022 Actual (unaudited)	Pro Forma (unaudited)	Pro Forma as Adjusted (unaudited)
Balance sheet data:			
Investments and cash	$ 1,048,612		
Restricted cash	75,359		
Premiums receivable	160,491		
Reinsurance recoverables	542,895		
Ceded unearned premium	189,241		
Goodwill and intangible assets	90,237		
Other assets	201,571		
Total assets	**$ 2,308,406**		
Loss and LAE reserves	$ 1,062,000		
Unearned premiums	464,291		
Reinsurance premiums payable	135,056		
Notes payable	50,000		
Subordinated debt	78,589		
Other liabilities	118,653		
Total liabilities	$ 1,908,589		
Total stockholders' equity	$ 399,817		
Total liabilities, temporary equity and stockholders' equity	**$ 2,308,406**		

($ in thousands, except per share amounts)	As of September 30, 2022		
	Actual (unaudited)	Pro Forma (unaudited)	Pro Forma as Adjusted (unaudited)
Other Data:			
Statutory capital and surplus[8]	$ 379,601		
Debt to total capitalization ratio[9]	24.3%		
Tangible stockholders' equity[1]	$ 309,580		

(1) Non-GAAP financial measure. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Reconciliation of Non-GAAP Financial Measures" for a reconciliation of the non-GAAP financial measures in accordance with GAAP.

(2) Basic earnings per share for 2021 is calculated by dividing net income attributable to common shareholders of $19.8 million by basic weighted average of common shares of 16,308,712. For a more detailed description see Note 2 titled "Summary of Significant Accounting Policies – Earnings (loss) per share" and Note 21 titled "Earnings (Loss) Per Share" to our audited consolidated financial statements included in this prospectus.

(3) Basic adjusted earnings per share for 2021 is calculated by dividing $18.6 million by weighted-average common shares of 16,308,712. The $18.6 million numerator is derived by multiplying adjusted operating income of $36.1 million by the same allocation percentage (51.7%) used to calculate net income attributable to common shareholders under the Basic Earnings Per Share calculation. For a more detailed description, see footnotes 2 and 21 of the Notes to Consolidated Financial statements included in this prospectus.

(4) Includes conversion of 1,970,124 preferred shares to 16,305,113 common shares for 2020 as a result of the conversion rate becoming fixed and the preferred shares becoming convertible into a fixed number of shares of common stock as of December 31, 2021.

(5) Book value includes temporary equity in 2020.

(6) Book value per share, fully diluted book value per share, tangible book value per share and fully diluted tangible book value per share are calculated using stockholders' equity adjusted to add back stock notes receivable as the shares associated with the stock notes receivable are included in shares outstanding.

(7) This ratio for the nine month period is calculated on an annualized basis by multiplying the nine months results by a factor of 1.334. For more detailed explanation relating to these non-GAAP financial measures, see the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Reconciliation of Non-GAAP Financial Measures."

(8) For our insurance subsidiaries, statutory capital and surplus represents the excess of assets over liabilities as determined in accordance with statutory accounting principles as determined by the National Association of Insurance Commissioners ("NAIC").

(9) Debt to total capitalization ratio is the ratio, expressed as a percentage, of total indebtedness for borrowed money to the sum of total indebtedness for borrowed money, temporary equity and stockholders' equity.

RISK FACTORS

An investment in our common stock involves a certain degree of risk. In deciding whether to invest, you should carefully consider the following risk factors, as well as the financial and other information contained in this prospectus, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes. Any of the following risks could have an adverse or material effect on our business, financial condition, results of operations or prospects and cause the value of our stock to decline, which could cause you to lose all or part of your investment. Additional risks and uncertainties of which we are unaware, or that we currently deem immaterial also may become important factors that affect us.

Risks Related to Our Business and Industry

Our financial condition and results of operations could be materially adversely affected if we do not accurately assess our underwriting risk.

Our underwriting success is dependent on our ability to accurately assess the risks associated with the business we write and retain. We rely on the experience of our underwriting staff in assessing those risks. If we misunderstand the nature or extent of the risks, we may fail to establish appropriate premium rates which could adversely affect our financial results. In addition, our employees, including members of management and underwriters, make decisions and choices in the ordinary course of business that involve exposing us to risk.

Competition for business in our industry is intense.

We face competition from other specialty insurance companies, standard insurance companies and underwriting agencies. In particular, competition in the insurance industry is based on many factors, including price of coverage, the general reputation and perceived financial strength of the company, relationships with distribution partners, terms and conditions of products offered, ratings assigned by independent rating agencies, speed of claims payment and reputation, and the experience and reputation of the members of our underwriting team in the particular lines of insurance and reinsurance we seek to underwrite. In recent years, the insurance industry has undergone increasing consolidation, which may further increase competition. In addition, some of our competitors are larger and have greater financial, marketing, and other resources than we do, in addition to being able to absorb large losses more easily. Other competitors have longer operating history and more market recognition than we do in certain lines of business.

A number of new, proposed or potential industry or legislative developments could further increase competition in our industry. For example, there has been an increase in capital-raising by companies with whom we compete, which could result in new entrants to our markets and an excess of capital in the industry. Additionally, the possibility of federal regulatory reform of the insurance industry could increase competition from standard carriers.

We may not be able to continue to compete successfully in the insurance markets. Increased competition in these markets could result in a change in the supply and demand for insurance, affect our ability to price our products at risk-adequate rates and retain existing business, or underwrite new business on favorable terms. If this increased competition so limits our ability to transact business, our operating results could be adversely affected.

Because our business depends on insurance retail agents, brokers, wholesalers and program administrators, we are exposed to certain risks arising out of our reliance on these distribution channels that could adversely affect our results.

Substantially all of our products are ultimately distributed through independent retail agents and brokers who have the principal relationships with policyholders. Retail agents and brokers generally own the "renewal rights," and thus our business model is dependent on our relationships with, and the success of, the retail agents and brokers with whom we do business. Further, we are also dependent on the relationships our wholesalers and program administrators maintain with the agents and brokers from whom they source their business.

Our relationship with our retail agents, brokers, wholesalers and program administrators may be discontinued at any time. Even if the relationships do continue, they may not be on terms that are profitable for us. For example, as insurance distribution firms continue to consolidate, their ability to influence commission rates may increase as may the concentration of business we have with a particular broker. Further, certain premiums from policyholders, where the business is produced by brokers, are collected directly by the brokers and remitted to us. In certain jurisdictions, when the insured pays its policy premium to its broker for payment on behalf of our insurance subsidiary, the premium might be considered to have been paid under applicable insurance laws and regulations. Accordingly, the insured would no longer be liable to us for those amounts, whether or not we have actually received the premium from that broker. Consequently, we assume a degree of credit risk associated with the brokers with which we work. Although the failure by any of our brokers to remit premiums to us has not been material to date, there may be instances where our brokers collect premiums but do not remit them to us and we may be required under applicable law to provide the coverage set forth in the policy despite the related premiums not being paid to us. Similarly, if we are limited in our ability to cancel policies for non-payment, our underwriting profits may decline and our financial condition and results of operations could be materially and adversely affected.

We review the financial condition of potential new brokers before we agree to transact business with them, and we periodically review the agencies, brokers, wholesalers and program administrators with whom we do business to identify those that do not meet our profitability standards or are not aligned with our business objectives. Following these periodic reviews, we may restrict such distributors' access to certain types of products or terminate our relationship with them, subject to applicable contractual and regulatory requirements that limit our ability to terminate agents or require us to renew policies. Even through the utilization of these measures, we may not achieve the desired results.

Because we rely on these distributors as our sales channel, any deterioration in the relationships with our distributors or failure to provide competitive compensation could lead our distributors to place more premium with other carriers and less premium with us. In addition, we could be adversely affected if the distributors with whom we do business exceed their granted authority, fail to transfer collected premium to us or breach the obligations that they owe to us. Although we routinely monitor our distribution relationships, such actions could expose us to liability.

Also, if insurance distribution firm consolidation continues at its current pace or increases in the future, our sales channels could be materially affected in a number of ways, including loss of market access or market share in certain geographic areas. Specifically, we could be negatively affected due to loss of talent as the people most knowledgeable about our products and with whom we have developed strong working relationships exit the business following an acquisition, or, increases in our commission costs as larger distributors acquire more negotiating leverage over their fees. Any such disruption that materially affects our sales channel could have a negative impact on our results of operations and financial condition.

As the speed of digitization accelerates, we are subject to risks associated with both our distributors and their ability to keep pace. In an increasingly digital world, distributors who cannot provide a digital or technology-driven experience risk losing customers who demand such an experience, and such customers may choose to utilize more technology-driven distributors.

We may be unable to purchase third-party reinsurance in amounts we desire on commercially acceptable terms or on terms that adequately protect us, and this inability may materially adversely affect our business, financial condition and results of operations.

We strategically purchase reinsurance from third parties which enhances our business by protecting capital from severity events (either large single event losses or catastrophes) and reducing volatility in our earnings. Reinsurance involves transferring, or ceding, a portion of our risk exposure on policies that we write to another insurer, the reinsurer, in exchange for a cost. If we are unable to renew our expiring contracts, enter into new reinsurance arrangements on acceptable terms or expand our coverage, our loss exposure could increase, which would increase our potential losses related to loss events. If we are unwilling to bear an increase in loss exposure, we may need to reduce the level of our underwriting commitments, both of which could materially adversely affect our business, financial condition and results of operations.

There are situations in which reinsurers may exclude certain coverages from, or alter terms in, the reinsurance contracts we enter into with them. As a result, we, like other insurance companies, could write insurance policies which to some extent do not have the benefit of reinsurance protection. These gaps in reinsurance protection expose us to greater risk and greater potential losses.

Our losses and loss expense reserves may be inadequate to cover our actual losses, which could have a material adverse effect on our financial condition, results of operations and cash flows.

Our success depends on our ability to accurately assess the risks related to the businesses and people that we insure. We establish losses and LAE reserves for the best estimate of the ultimate payment of all claims that have been incurred, or could be incurred in the future, and the related costs of adjusting those claims, as of the date of our financial statements. Reserves do not represent an exact calculation of liability. Rather, reserves represent an estimate of what we expect the ultimate settlement and administration of claims will cost us, and our ultimate liability may be greater or less than our estimate.

As part of the reserving process, we review historical data and consider the impact of such factors as:

- claims inflation, which is the sustained increase in cost of raw materials, labor, medical services and other components of claims cost;
- claims development patterns by line of business, as well as frequency and severity trends;
- pricing for our products;
- legislative activity;
- social and economic patterns; and
- litigation, judicial and regulatory trends.

These variables are affected by both internal and external events that could increase our exposure to losses, and we continually monitor our loss reserves using new information on reported claims and a variety of statistical techniques and modeling simulations. This process assumes that past experience, adjusted for the effects of current developments, anticipated trends and market conditions, is an appropriate basis for predicting future events. There is, however, no precise method for evaluating the impact of any specific factor on the adequacy of loss reserves, and actual results may deviate, perhaps substantially, from our reserve estimates. For instance, the following uncertainties may have an impact on the adequacy of our reserves:

- When a claim is received, it may take considerable time to appreciate fully the extent of the covered loss suffered by the insured and, consequently, estimates of loss associated with specific claims can increase over time. Consequently, estimates of loss associated with specified claims can change as new information emerges, which could cause the reserves for the claim to become inadequate.
- New theories of liability are enforced retroactively from time to time by courts. See also "— The failure of any of the loss limitations or exclusions we employ, or changes in other claims or coverage issues, could have a material adverse effect on our financial condition or results of operations."
- Volatility in the financial markets, economic events and other external factors may result in an increase in the number of claims and/or severity of the claims reported. In addition, elevated inflationary conditions would, among other things, cause loss costs to increase. See also "— Adverse economic factors, including recession, inflation, periods of high unemployment or lower economic activity could result in the sale of fewer policies than expected or an increase in frequency or severity of claims and premium defaults or both, which, in turn, could affect our growth and profitability."
- If claims were to become more frequent, even if we had no liability for those claims, the cost of evaluating such potential claims could escalate beyond the amount of the reserves we have established. As we enter new lines of business, or as a result of new theories of claims, we may encounter an increase in claims frequency and greater claims handling costs than we had anticipated.

If any of our reserves should prove to be inadequate, we will be required to increase our reserves resulting in a reduction in our net income and stockholders' equity in the period in which the deficiency is identified.

Future loss experience substantially in excess of established reserves could also have a material adverse effect on our future earnings and liquidity and our financial rating.

A decline in our financial strength rating may adversely affect the amount of business we write.

Participants in the insurance industry use ratings from independent ratings agencies, such as A.M. Best, as an important means of assessing the financial strength and quality of insurers. In setting its ratings, A.M. Best performs quantitative and qualitative analysis of a company's balance sheet strength, operating performance and business profile. A.M. Best financial strength ratings range from "A++" (Superior) to "F" for insurance companies that have been publicly placed in liquidation. As of the date of this prospectus, A.M. Best has assigned a financial strength rating of "A-" (Excellent) with a stable outlook to us. A.M. Best assigns ratings that are intended to provide an independent opinion of an insurance company's ability to meet its obligations to policyholders and is not an evaluation directed to investors and is not a recommendation to buy, sell or hold our common stock or any other securities we may issue. A.M. Best's analysis includes comparisons to peers and industry standards as well as assessments of operating plans, philosophy and management. A.M. Best periodically reviews our financial strength rating and may revise it downward at their discretion based primarily on its analyses of our balance sheet strength, operating performance and business profile. There are specific building blocks A.M. Best reviews, including capital adequacy, operating performance, operating profile and Enterprise Risk Management, as well as other factors that could affect their analyses such as:

- If we change our business practices from our organizational business plan in a manner that no longer supports A.M. Best's rating;
- If unfavorable financial, regulatory or market trends affect us, including excess market capacity;
- If our losses exceed our loss reserves;
- If we have unresolved issues with government regulators;
- If we are unable to retain our senior management or other key personnel;
- If our investment portfolio incurs significant losses or our liquidity is limited; or
- If A.M. Best alters its capital adequacy assessment methodology in a manner that would adversely affect our rating.

These and other factors could result in a downgrade of our financial strength rating. A downgrade or withdrawal of our rating could result in any of the following consequences, among others:

- Causing our current and future distribution partners and insureds to choose other, more highly-rated competitors;
- Increasing the cost or reducing the availability of reinsurance to us; or
- Severely limiting or preventing us from writing new and renewal insurance contracts.

In addition, in view of the earnings and capital pressures experienced by many financial institutions, including insurance companies, it is possible that rating organizations will heighten the level of scrutiny that they apply to such institutions, will increase the frequency and scope of their credit reviews, will request additional information from the companies that they rate or will increase the capital and other requirements employed in the rating organizations' models for maintenance of certain ratings levels. We can offer no assurance that our rating will remain at its current level. It is possible that such reviews of us may result in adverse ratings consequences, which could have a material adverse effect on our financial condition and results of operations.

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

There can be no assurances that loss limitations or exclusions in our policies will be enforceable in the manner we intend. As industry practices and legal, judicial, social, and other conditions change, unexpected and unintended issues related to claims and coverage may emerge. For example, many of our policies limit the

period during which a policyholder may bring a claim, which may be shorter than the statutory period under which such claims can be brought against our policyholders. While these limitations and exclusions help us assess and mitigate our loss exposure, it is possible that a court or regulatory authority could nullify or void a limitation or exclusion or legislation could be enacted modifying or barring the use of such limitations or exclusions. These types of governmental actions could result in higher than anticipated losses and LAE, which could have a material adverse effect on our financial condition or results of operations. In addition, court decisions, such as the 1995 Montrose decision in California could read policy exclusions narrowly so as to expand coverage, thereby requiring insurers to create and write new exclusions.

These issues may adversely affect our business by either broadening coverage beyond our underwriting intent or by increasing the frequency or severity of claims. In some instances, these changes may not become apparent until sometime after we have issued insurance contracts that are affected by the changes. As a result, the full extent of liability under our insurance contracts may not be known for many years after a contract is issued.

Our reinsurers may not reimburse us for claims on a timely basis, or at all, which may materially adversely affect our business, financial condition and results of operations.

The reinsurance contracts that we enter into to help manage our risks require us to pay premiums to the reinsurance carriers who will in turn reimburse us for a portion of covered policy claims. In many cases, a reinsurer will be called upon to reimburse us for policy claims many years after we paid insurance premiums to the insurer. Although reinsurance makes the reinsurer liable to us to the extent the risk is transferred or ceded to the reinsurer, it does not relieve us (the ceding insurer) of our primary liability to our policyholders. Our current reinsurance program is designed to limit our financial risk. However, our reinsurers may not pay claims we incur on a timely basis, or they may not pay some or all of these claims. For example, reinsurers may default in their financial obligations to us as the result of insolvency, lack of liquidity, operational failure, political and/or regulatory prohibitions, fraud, asserted defenses based on agreement wordings or the principle of utmost good faith, asserted deficiencies in the documentation of agreements or other reasons. Any disputes with reinsurers regarding coverage under reinsurance contracts could be time consuming, costly, and uncertain of success. These risks could cause us to incur increased net losses, and, therefore, adversely affect our financial condition. As of September 30, 2022, we had $542.9 million of aggregate reinsurance recoverables.

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

We must accurately and timely evaluate and pay claims that are made under our policies. Many factors affect our ability to pay claims accurately and timely, including the training and experience of our claims representatives, including our TPAs, the effectiveness of our management, and our ability to develop or select and implement appropriate procedures and systems to support our claims functions and other factors. Our failure to pay claims accurately and timely could lead to regulatory and administrative actions or material litigation, undermine our reputation in the marketplace and materially and adversely affect our business, financial condition, results of operations, and prospects.

In addition, if we do not manage our TPAs effectively, or if our TPAs are unable to effectively handle our volume of claims, our ability to handle an increasing workload could be adversely affected. In addition to potentially requiring that growth be slowed in the affected markets, our business could suffer from decreased quality of claims work which, in turn, could adversely affect our operating margins.

Severe weather conditions, including the effects of climate change, catastrophes, pandemic, as well as man-made event events may adversely affect our business, results of operations and financial condition.

Our business is exposed to the risk of severe weather conditions, earthquakes and man-made catastrophes. Catastrophes can be caused by various events, including natural events such as severe winter weather, tornadoes, windstorms, earthquakes, hailstorms, severe thunderstorms and fires, or man-made events such as explosions, war, terrorist attacks and riots. Over the past several years, changing weather patterns and climatic conditions, such as global warming, have added to the unpredictability and frequency of natural disasters in certain parts of the world, including the markets in which we operate. Climate change may increase the frequency and severity of extreme weather events. This effect has led to conditions in the ocean and

atmosphere, including warmer-than-average sea-surface temperatures and low wind shear that increase hurricane activity. The occurrence of a natural disaster or other catastrophe loss could materially adversely affect our business, financial condition, and results of operations. Additionally, any increased frequency and severity of such weather events, including hurricanes, could have a material adverse effect on our ability to predict, quantify, reinsure and manage catastrophe risk and may materially increase our losses resulting from such catastrophe events.

The extent of losses from catastrophes is a function of both the frequency and severity of the insured events and the total amount of insured exposure in the areas affected. The incidence and severity of catastrophes and severe weather conditions are inherently unpredictable. We manage our exposure to losses by analyzing the probability and severity of the occurrence of loss events and the impact of such events on our overall underwriting and investment portfolio. In addition, our inability to obtain reinsurance coverage at reasonable rates and in amounts adequate to mitigate the risks associated with severe weather conditions and other catastrophes could have a material adverse effect on our business and results of operations.

Our business is also exposed to the risk of pandemics, outbreaks, public health crises, and geopolitical and social events, and their related effects. While to date we have not seen a meaningful decrease in the growth rate of our gross written premiums since the beginning of the COVID-19 pandemic, this pandemic situation remains fluid and continues to evolve, and at this time we are unable to determine the ultimate impact of this pandemic on our business, financial condition, results of operations and cash flows. While policy terms and conditions in the lines of business written by us would be expected to preclude coverage for virus-related claims, court decisions and governmental actions may challenge the validity of any exclusions or our interpretation of how such terms and conditions operate. If pandemics, outbreaks and other events occur or re-occur, our business, financial condition, results of operations and cash flows may be materially adversely affected.

Because we provide our program administrators with specific quoting and binding authority, if any of them fail to comply with pre-established guidelines, our results of operations could be adversely affected.

We market and distribute certain of our insurance products through program administrators that have limited quoting and binding authority, and they in turn, sell our insurance products to insureds through retail agents and brokers. These program administrators can bind certain risks without our initial approval. If any of these program administrators fail to comply with our underwriting guidelines and the terms of their appointments, we could be bound on a particular risk or number of risks that were not anticipated when we developed the insurance products or estimated losses and LAE. Such actions could adversely affect our results of operations.

If actual renewals of our existing contracts do not meet expectations, our written premium in future years and our future results of operations could be materially adversely affected.

Most of our contracts are written for a one-year term. In our financial forecasting process, we make assumptions about the rates of renewal of our prior year's contracts. The insurance and reinsurance industries have historically been cyclical businesses with intense competition, often based on price. If actual renewals do not meet expectations or if we choose not to write renewals because of pricing conditions, our written premium in future years and our future operations would be materially adversely affected.

Increased public attention to environmental, social and governance matters may expose us to negative public perception, cause reputational harm, impose additional costs on our business or impact our stock price.

Recently, more attention is being directed towards publicly traded companies regarding environmental, social and governance ("ESG") matters. A failure, or perceived failure, to respond to investor or customer expectations related to ESG concerns could cause harm to our business and reputation. For example, our insureds include a wide variety of industries, including potentially controversial industries. Damage to our reputation as a result of our provision of policies to certain insureds could result in decreased demand for our insurance products and could have a material adverse effect on our business, operational results and financial results, as well as require additional resources to rebuild our reputation, competitive position and brand strength.

Changes in accounting practices and future pronouncements may materially affect our reported financial results.

Developments in accounting practices may require us to incur considerable additional expenses to comply, particularly if we are required to prepare information relating to prior periods for comparative purposes or to apply the new requirements retroactively. The impact of changes in current accounting practices and future pronouncements cannot be predicted but may affect the calculation of net income, shareholder's equity and other relevant financial statement line items.

Our insurance subsidiaries are required to comply with statutory accounting principles, or SAP. SAP and various components of SAP are subject to constant review by the National Association of Insurance Commissioners ("NAIC") and its task forces and committees, as well as state insurance departments, in an effort to address emerging issues and otherwise improve financial reporting. Various proposals are pending before committees and task forces of the NAIC, some of which, if enacted and adopted on a state level, could have negative effects on insurance industry participants. The NAIC continuously examines existing laws and regulations. We cannot predict whether or in what form such reforms will be enacted and, if so, whether the enacted reforms will positively or negatively affect us.

Risks Related to the Market and Economic Conditions

Adverse economic factors, including recession, inflation, periods of high unemployment or lower economic activity could result in the sale of fewer policies than expected or an increase in the frequency of claims and premium defaults, and even the falsification of claims, or a combination of these effects, which, in turn, could affect our growth and profitability.

Factors, such as business revenue, economic conditions, the volatility and strength of the capital markets, and inflation can affect the business and economic environment. These same factors affect our ability to generate revenue and profits. In an economic downturn that is characterized by higher unemployment, declining spending, and reduced corporate revenue, the demand for insurance products is generally adversely affected, which directly affects our premium levels and profitability. Negative economic factors may also affect our ability to receive the appropriate rate for the risk we insure with our policyholders and may adversely affect the number of policies we can write, and our opportunities to underwrite profitable business. In an economic downturn, our customers may have less need for insurance coverage, cancel existing insurance policies, modify their coverage or not renew the policies they hold with us. Existing policyholders may exaggerate or even falsify claims to obtain higher claims payments. In addition, if certain segments of the economy, such as the construction or energy production and servicing segments (which would affect several of our underwriting divisions at one time) were to significantly collapse, it could adversely affect our results. These outcomes would reduce our underwriting profit to the extent these factors are not reflected in the rates we charge.

The insurance business is historically cyclical in nature and we believe we are currently experiencing a relatively hard market cycle, which may affect our financial performance and cause our operating results to vary from quarter to quarter and may not be indicative of future performance.

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

Although an individual insurance company's financial performance depends on its own specific business characteristics, the profitability of most P&C insurance companies tends to follow this cyclical market pattern

with higher gross written premium growth and improved profitability during hard market cycles. Further, this cyclical market pattern can be more pronounced in the E&S market than in the standard insurance market. When the standard insurance market hardens, the E&S market typically hardens, and growth in the E&S market can be significantly more rapid than growth in the standard insurance market. Similarly, when conditions begin to soften, many customers that were previously driven into the E&S market may return to the admitted market, exacerbating the effects of rate decreases on our financial results. At present, we believe we are experiencing a relatively hard market cycle, however, we cannot predict the timing or duration of changes in the market cycle because the cyclicality is due in large part to the actions of our competitors and general economic factors. As a result, our operating results are subject to fluctuation and have historically varied from quarter to quarter. We expect our quarterly results will continue to fluctuate in the future due to a number of factors, including the general economic conditions in the markets where we operate, the frequency of occurrence or severity of catastrophe or other insured events, fluctuating interest rates, claims exceeding our loss reserves, competition in our industry, deviations from expected premium retention rates of our existing policies and contracts, adverse investment performance, and the cost of reinsurance coverage.

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

Our results of operations depend, in part, on the performance of our investment portfolio. We seek to hold a diversified portfolio of investments that is managed by professional investment advisory management firms in accordance with our investment policy and routinely reviewed by our Investment Committee. However, our investments are subject to general economic conditions and market risks as well as risks inherent to specific securities. Our primary market risk exposures are to changes in interest rates and equity prices. See the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Quantitative and Qualitative Disclosures About Market Risk.”

A significant amount of our investment portfolio is invested in fixed maturity securities, or separately managed accounts and limited partnerships invested primarily in fixed maturity securities. In recent years, interest rates have been at or near historic lows, however, in the first nine months of 2022, interest rates have steadily risen. Should the recent rate increases cease or decline, including as a result of steps taken by the federal government to slow inflation, such as the passage of the Inflation Reduction Act of 2022, a low interest rate environment would continue to place pressure on our net investment income, particularly as it relates to these securities and short-term investments, which, in turn, may adversely affect our operating results. Recent and future increases in interest rates could cause the values of our fixed income securities portfolios to decline, with the magnitude of the decline depending on the duration of securities included in our portfolio and the amount by which interest rates increase. Some fixed income securities have call or prepayment options, which create possible reinvestment risk in declining rate environments. Other fixed income securities, such as mortgage-backed and asset-backed securities, carry prepayment risk or, in a rising interest rate environment, may not prepay as quickly as expected.

All of our fixed maturity securities, including those held in separately managed accounts and limited partnerships, are subject to credit risk. Credit risk is the risk that certain investments may default or become impaired due to deterioration in the financial condition of one or more issuers of the securities we hold, or due to deterioration in the financial condition of an insurer that guarantees an issuer’s payments on such investments. Downgrades in the credit ratings of fixed maturity securities (where rated) could also have a significant negative effect on the market valuation of such securities.

We also invest in marketable preferred and common equity securities and exchange traded funds. These securities are carried on the balance sheet at fair market value and are subject to potential losses and declines in market value. Our equity invested assets totaled $147.9 million as of September 30, 2022.

The above market and credit risks could reduce our net investment income and result in realized investment losses. Our investment portfolio is subject to increased valuation uncertainties when investment markets are illiquid, as is the case with our fixed maturity securities held to maturity, separately managed accounts, and limited partnership investments. The valuation of investments is more subjective when markets are illiquid, thereby increasing the risk that the estimated fair value (i.e., the carrying amount) of the securities we hold in our portfolio do not reflect prices at which actual transactions would occur.

Risks for all types of securities are managed through the application of our investment policy, which establishes investment parameters that include but are not limited to, maximum percentages of investment in certain types of securities and minimum levels of credit quality, which we believe are within applicable guidelines established by the NAIC, the Texas Department of Insurance, and the Oklahoma Department of Insurance. In addition, our Investment Committee periodically reviews our Enterprise Based Asset Allocation models to assist in overall risk management.

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

We could be forced to sell investments to meet our liquidity requirements.

We invest the premiums we receive from our insureds until they are needed to pay policyholder claims. Consequently, we seek to manage the duration of our investment portfolio based on the duration of our losses and LAE reserves to provide sufficient liquidity and avoid having to liquidate investments to fund claims. Risks such as inadequate losses and LAE reserves or unfavorable trends in litigation could potentially result in the need to sell investments to fund these liabilities. We may not be able to sell our investments at favorable prices or at all. Sales could result in significant realized losses depending on the conditions of the general market, interest rates and credit issues with individual securities.

Risks Related to the Regulatory Environment

We are subject to extensive regulation, which may adversely affect our ability to achieve our business objectives. In addition, if we fail to comply with these regulations, we may be subject to penalties, including fines and suspensions, which may adversely affect our financial condition and results of operations.

Our primary insurance subsidiaries, HSIC, IIC, and GMIC, are subject to extensive regulation in Texas, their state of domicile, and to a lesser degree, the other states in which they operate. Most insurance regulations are designed to protect the interests of insurance policyholders, as opposed to the interests of investors or stockholders. These regulations generally are administered by a department of insurance in each state and relate to, among other things, capital and surplus requirements, investment and underwriting limitations, affiliate transactions, dividend limitations, changes in control, solvency and a variety of other financial and non-financial aspects of our business. Significant changes in these laws and regulations could further limit our discretion or make it more expensive to conduct our business. State insurance regulators also conduct periodic examinations of the affairs of insurance and reinsurance companies and require the filing of annual and other reports relating to financial condition, holding company issues and other matters. These regulatory requirements may impose timing and expense constraints that could adversely affect our ability to achieve some or all of our business objectives.

Our insurance subsidiaries are part of an “insurance holding company system” within the meaning of applicable Texas statutes and regulations. As a result of such status, certain transactions between our insurance subsidiaries and one or more of their affiliates may not be effected unless the insurer has provided notice of that transaction to the Texas Department of Insurance. These prior notification requirements may result in business delays and additional business expenses. If our insurance subsidiaries fail to file a required notification or fail to comply with other applicable insurance regulations in Texas, we may be subject to significant fines and penalties and our working relationship with the Texas Department of Insurance may be impaired.

In addition, state insurance regulators have broad discretion to deny or revoke licenses for various reasons, including the violation of regulations. In some instances, where there is uncertainty as to applicability, we follow practices based on our interpretations of regulations or practices that we believe generally to be followed by the industry. These practices may turn out to be different from the interpretations of regulatory authorities. If we do not have the requisite licenses and approvals or do not comply with applicable regulatory requirements, state insurance regulators could preclude or temporarily suspend us from carrying on some or all of our activities in their state or could otherwise penalize us. This could adversely affect our ability to operate our business. Further, changes in the level of regulation of the insurance industry or changes in laws

or regulations themselves or interpretations by regulatory authorities could interfere with our operations and require us to bear additional costs of compliance, which could adversely affect our ability to operate our business.

Our insurance subsidiaries are subject to risk-based capital requirements, based upon the "risk based capital model" adopted by the NAIC, and other minimum capital and surplus restrictions imposed under Texas law. These requirements establish the minimum amount of risk-based capital necessary for a company to support its overall business operations. It identifies property and casualty insurers that may be inadequately capitalized by looking at certain inherent risks of each insurer's assets and liabilities and its mix of net written premium. Insurers falling below a calculated threshold may be subject to varying degrees of regulatory action, including supervision, rehabilitation or liquidation. Failure to maintain our risk-based capital at the required levels could adversely affect the ability of our insurance subsidiary to maintain regulatory authority to conduct our business and our A.M. Best Rating.

We may become subject to additional government or market regulation, which may have a material adverse impact on our business.

Our business could be adversely affected by changes in state laws, including those relating to asset and reserve valuation requirements, surplus requirements, limitations on investments and dividends, enterprise risk and risk-based capital requirements, and, at the federal level, by laws and regulations that may affect certain aspects of the insurance industry, including proposals for preemptive federal regulation. The U.S. federal government generally has not directly regulated the insurance industry except for certain areas of the market, such as insurance for flood, nuclear and terrorism risks. However, the federal government has undertaken initiatives or considered legislation in several areas that may affect the insurance industry, including tort reform, corporate governance and the taxation of reinsurance companies.

Additionally, we currently derive revenues from customers in the cannabis industry. As such, any risks related to the cannabis industry, including but not limited to cannabis being deemed a controlled substance under federal laws, may adversely impact our clients, and potential clients, which may in turn, impact our services. The legality of cannabis could be reversed in one or more states, which might force businesses, including our customers, to cease operations in one or more states entirely. A change in the legal status of, or the enforcement of federal laws related to, the cannabis industry could negatively impact us and lead to a decrease in our revenue through the loss of current and potential customers.

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

As of September 30, 2022, we had gross federal income tax net operating losses, or NOLs, of approximately $72.0 million available to offset our future taxable income, if any, prior to consideration of annual limitations that may be imposed under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, or otherwise. The NOLs will begin to expire in 2033.

Under Section 382 of the Code, if a corporation undergoes an "ownership change" (very generally defined as a greater than 50% change, by value, in the corporation's equity ownership by certain stockholders or groups of stockholders over a rolling three-year period), the corporation's ability to use its pre-ownership change NOLs to offset its post-ownership change income may be limited. We may experience ownership changes in the future as a result of subsequent shifts in our stock ownership, some of which may be outside of our control. Future regulatory changes could also limit our ability to utilize our NOLs. To the extent we are not able to offset future taxable income with our NOLs, our net income and cash flows may be adversely affected.

Because we are a holding company and substantially all of our operations are conducted by our insurance subsidiaries, our ability to achieve liquidity at the holding company, including the ability to pay dividends and service our debt obligations, depends on our ability to obtain cash dividends or other permitted payments from our insurance subsidiaries.

The continued operation and growth of our business will require substantial capital. Accordingly, after the completion of this offering, we do not intend to declare and pay cash dividends on shares of our common stock in the foreseeable future. See the section entitled "Dividend Policy." Because we are a holding company

with no business operations of our own, our ability to pay dividends to stockholders and meet our debt payment obligations largely depends on dividends and other distributions from our primary insurance subsidiaries, HSIC, IIC and GMIC. State insurance laws, including the laws of Texas restrict the ability of HSIC, IIC and GMIC to determine how we declare stockholder dividends. State insurance regulators require insurance companies to maintain specified levels of statutory capital and surplus. Dividend payments are further limited to that part of available policyholder surplus that is derived from net profits on our business. State insurance regulators have broad powers to prevent the reduction of statutory surplus to inadequate levels, and there is no assurance that dividends up to the maximum amounts calculated under any applicable formula would be permitted. Moreover, state insurance regulators that have jurisdiction over the payment of dividends by our insurance subsidiaries may in the future adopt statutory provisions more restrictive than those currently in effect.

Any determination to pay dividends in the future will be at the discretion of our Board of Directors and will depend upon results of operations, financial condition, contractual restrictions pursuant to our debt agreements, our indebtedness, restrictions imposed by applicable law and other factors our Board of Directors deems relevant. Consequently, investors may need to sell all or part of their holdings of our common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking immediate cash dividends should not purchase our common stock.

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

Under applicable Texas insurance laws and regulations, no person may acquire control of a domestic insurer until written approval is obtained from the state insurance commissioner on the proposed acquisition. Such approval would be contingent upon the state insurance commissioner's consideration of a number of factors including, among others, the financial strength of the proposed acquiror, the acquiror's plans for the future operations of the domestic insurer and any anti-competitive results that may arise from the consummation of the acquisition of control. Texas insurance laws and regulations pertaining to changes of control apply to both the direct and indirect acquisition of ten percent or more of the voting stock of a Texas-domiciled insurer. Accordingly, the acquisition of ten percent or more of our common stock would be considered an indirect change of control of Skyward Specialty and would trigger the applicable change of control filing requirements under Texas insurance laws and regulations, absent a disclaimer of control filing and its acceptance by the Texas Insurance Department. These requirements may discourage potential acquisition proposals and may delay, deter or prevent a change of control of Skyward Specialty, including through transactions that some or all of the stockholders of Skyward Specialty might consider to be desirable.

Risks Related to Our Liquidity and Access to Capital

We may require additional capital in the future, which may not be available or may only be available on unfavorable terms.

Our future capital requirements depend on many factors, including our ability to write new business successfully and to establish premium rates and reserves at levels sufficient to cover losses. To the extent that the funds generated by this offering are insufficient to fund future operating requirements and cover claim losses, we may need to raise additional funds through financings or curtail our growth. Many factors will affect the amount and timing of our capital needs, including our growth rate and profitability, our claims experience, and the availability of reinsurance, market disruptions, and other unforeseeable developments. If we need to raise additional capital, equity or debt financing may not be available at all or may be available only on terms that are not favorable to us. In the case of equity financings, dilution to our stockholders could result. In the case of debt financings, we may be subject to covenants that restrict our ability to freely operate our business. In any case, such securities may have rights, preferences and privileges that are senior to those of the shares of common stock offered hereby. If we cannot obtain adequate capital on favorable terms or at all, we may not have sufficient funds to implement our operating plans and our business, financial condition or results of operations could be materially adversely affected.

Our debt obligations could impair our financial condition and limit our operating flexibility.

Our indebtedness under our credit agreement, ("Credit Agreement"), and our other financial obligations (including Trust Preferred, as defined later in this prospectus, and subordinated debt) could:

- impair our ability to obtain financing or additional debt in the future for working capital, capital expenditures, acquisitions or general corporate purposes;
- impair our ability to access capital and credit markets on terms that are favorable to us;
- have a material adverse effect on us if we fail to comply with financial and affirmative and restrictive covenants in our Credit Agreement and an event of default occurs as a result of a failure that is not cured or waived;
- require us to dedicate a portion of our cash flow for interest payments on our indebtedness and other financial obligations, thereby reducing the availability of our cash flow to fund working capital and capital expenditures; and
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate.

Our financial covenants in the Credit Agreement require us to maintain certain minimum fixed charges coverage ratio and total adjusted capital of our subsidiaries. If we breach these covenants, the lender will have the right to accelerate repayment of the outstanding amounts. In the event that the lender accelerates the repayment of our indebtedness, there can be no assurance that we will have sufficient cash on hand to satisfy such obligations and our business operations may be materially harmed.

Furthermore, there is no guarantee that we will be able to pay the principal and interest under the Credit Agreement or that future working capital, borrowings or equity financing will be available to repay or refinance any amounts outstanding under the Credit Agreement. Our obligations under the Credit Agreement are secured by a perfected security interest in all of our tangible and intangible assets (including our intellectual property assets), except for certain customary excluded property, and all of our and our subsidiaries' capital stock, with certain limited exceptions. In addition, we may enter into debt agreements in the future that may contain similar or more burdensome terms and covenants, including financial covenants.

Risks Related to Our Operations

We could be adversely affected by the loss of one or more key personnel or by an inability to attract and retain qualified personnel.

We depend on our ability to attract and retain experienced and seasoned personnel who are knowledgeable about our business. The pool of talent from which we actively recruit is limited and may fluctuate based on market dynamics specific to our industry and independent of overall economic conditions. As such, higher demand for employees having the desired skills and expertise could lead to increased compensation expectations for existing and prospective personnel, making it difficult for us to retain and recruit key personnel and maintain labor costs at desired levels. Should any of our key personnel terminate their employment with us, or if we are unable to retain and attract talented personnel, we may be unable to maintain our current competitive position in the specialized markets in which we operate, which could adversely affect our results of operations.

Security breaches, loss of data, cyberattacks, and other information technology failures could disrupt our operations, damage our reputation, and adversely affect our business, operations, and financial results.

Our business is highly dependent upon our information technology and telecommunications systems, including our underwriting systems. We rely on these systems to interact with brokers and insureds, to underwrite business, to prepare policies and process premiums, to perform actuarial and other modeling functions, to process claims and make claims payments, and to prepare internal and external financial statements. Some of these systems may include or rely on third-party systems not located on our premises or under our control. Events such as natural catastrophes, terrorist attacks, industrial accidents, computer viruses and other cyber-attacks may cause our systems to fail or be inaccessible for extended periods of time. While we have implemented business contingency plans and other reasonable plans to protect our systems, whether housed internally or through third-party cloud services, sustained or repeated system failures or service denials could severely limit our ability to write and process new and renewal business, provide customer service, pay claims in a timely manner or otherwise operate in the ordinary course of business.

Computer viruses, hackers, employee misconduct, and other external hazards could expose our systems to security breaches, cyber-attacks or other disruptions. While we have implemented security measures designed to protect against breaches of security and other interference with our systems and networks, our systems and networks may be subject to breaches or interference and we, and our third-party service providers, will likely continue to experience cybersecurity incidents of varying degrees. Any such event may result in operational disruptions as well as unauthorized access to, the disclosure of, or loss of our proprietary information or our customers' data and information, which in turn may result in legal claims, regulatory scrutiny and liability, reputational damage, the incurrence of costs to eliminate or mitigate further exposure, the loss of customers or affiliated advisors, or other damage to our business. In addition, the trend toward general public notification of such incidents could exacerbate the harm to our business, financial condition and results of operations. Even if we successfully protect our technology infrastructure and the confidentiality of sensitive data, we could suffer harm to our business and reputation if attempted security breaches are publicized. We cannot be certain that advances in criminal capabilities, discovery of new vulnerabilities, attempts to exploit vulnerabilities in our systems, data thefts, physical system or network break-ins or inappropriate access, or other developments will not compromise or breach the technology or other security measures protecting the networks and systems used in connection with our business.

Third parties to whom we outsource certain of our functions are also subject to these risks. While we review and assess our third-party providers' cybersecurity controls, as appropriate, and make changes to our business processes to manage these risks, we cannot ensure that our attempts to keep such information confidential will always be successful. Moreover, our increased use of third-party services (e.g. cloud technology and software as a service) can make it more difficult to identify and respond to cyberattacks in any of the above situations due to the dynamic nature of these technologies. These risks could increase as vendors adopt and use more cloud-based software services rather than software services which can be run within our data centers.

We may not be able to manage our growth effectively.

We intend to grow our business in the future, which could require additional capital, systems development and skilled personnel. However, we must be able to meet our capital needs, expand our systems and our internal controls effectively, allocate our human resources optimally, identify, hire, train and develop qualified employees and effectively incorporate the components of any business we may acquire in our effort to achieve growth. The failure to manage our growth effectively could have a material adverse effect on our business, financial condition and results of operations.

The effects of litigation on our business are uncertain and could have an adverse effect on our business.

As is typical in our industry, we continually face risks associated with litigation of various types, including disputes relating to insurance claims under our policies as well as other general commercial and corporate litigation. Although we are not currently involved in any out-of-the-ordinary litigation with our customers, other members of the insurance industry are the target of class action lawsuits and other types of litigation, some of which involve claims for substantial or indeterminate amounts, and the outcomes of which are unpredictable. This litigation is based on a variety of issues, including insurance and claim settlement practices. We cannot predict with any certainty whether we will be involved in such litigation in the future or what impact such litigation would have on our business.

Loss of key vendor relationships or failure of a vendor to protect our data, confidential and proprietary information could affect our operations.

We rely on services and products provided by many vendors in the United States and abroad. These include, for example, vendors of computer hardware and software, and vendors and/or outsourcing of services such as claim adjustment services, human resource benefits management services and investment management services. In the event that any vendor suffers a bankruptcy or otherwise becomes unable to continue to provide products or services, or fails to protect our confidential, proprietary, and other information, we may suffer operational impairments and financial losses. In addition, while we generally monitor vendor risk, including the security and stability of our critical vendors, we may fail to properly assess and understand the risks and

costs involved in the third-party relationships, and our financial condition and results of operations could be materially and adversely affected.

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

We may fail or be unable to protect our intellectual property rights for our proprietary technology platform and brand, or we may be sued by third parties for alleged infringement of their proprietary rights.

Our success and ability to compete depend in part on our intellectual property, which includes our rights in our brand and our proprietary technology used in certain of our product lines. We primarily rely on copyright and trade secret laws, and confidentiality agreements with our employees, customers, service providers, partners and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property may be inadequate. Our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability and scope of our intellectual property rights. Our failure to secure, protect and enforce our intellectual property rights could adversely affect our brand and adversely impact our business.

Our success depends also in part on our not infringing on the intellectual property rights of others. Our competitors, as well as a number of other entities and individuals, may own or claim to own intellectual property relating to our industry or the Company. In the future, third parties may claim that we are infringing on their intellectual property rights, and we may be found to be infringing on such rights. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our services, or require that we comply with other unfavorable terms. Even if we were to prevail in such a dispute, any litigation could be costly and time-consuming and divert the attention of our management and key personnel from our business operations.

Risks Related to This Offering and Ownership of Our Common Stock

Our costs will increase significantly as a result of operating as a public company, and our management will be required to devote substantial time to complying with public company regulations.

As a public company, we expect to incur significant legal, accounting and other expenses that we did not incur as a private company. After completion of this offering, we will be subject to the reporting requirements of the Exchange Act, which will require, among other things, that we file with the SEC annual, quarterly and current reports with respect to our business and financial condition and therefore we will need to have the ability to prepare financial statements that comply with all SEC reporting requirements on a timely basis. In addition, we will be subject to other reporting and corporate governance requirements, including certain requirements of and certain provisions of the Sarbanes-Oxley Act and the regulations promulgated thereunder, which will impose significant compliance obligations upon us. In particular, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management and, to the extent that we are no longer an "emerging growth company" as defined in the JOBS Act, our independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Our compliance with Section 404 will require that we incur substantial accounting expense and expend significant management efforts.

The Sarbanes-Oxley Act and the Dodd-Frank Act, as well as related rules subsequently implemented by the SEC and Nasdaq, have increased regulation of, and imposed enhanced disclosure and corporate governance requirements on, public companies. Our efforts to comply with these evolving laws, regulations and standards will increase our operating costs and divert management's time and attention from revenue-generating activities. Further, if these laws, regulations are rules were to change substantially in the future, we might be unable to meet new requirements.

These changes will also place significant additional demands on our finance and accounting staff and on our financial accounting and information systems. We may need to hire additional accounting and financial staff with appropriate public company reporting experience and technical accounting knowledge. Other expenses associated with being a public company include increases in auditing, accounting and legal fees and expenses, investor relations expenses, increased directors' fees and director and officer liability insurance costs, registrar and transfer agent fees and listing fees, as well as other expenses. As a public company, we will be required, among other things, to:

- prepare and file periodic reports and distribute other stockholder communications, in compliance with the federal securities laws and requirements of Nasdaq;
- define and expand the roles and the duties of our Board of Directors and its committees;
- institute more comprehensive compliance and investor relations functions; and
- evaluate and maintain our system of internal control over financial reporting, and report on management's assessment thereof, in compliance with rules and regulations of the SEC and the Public Company Accounting Oversight Board.

We may not be successful in implementing these requirements, and implementing them could materially adversely affect our business. The increased costs will decrease our net income and may require us to reduce costs in other areas of our business or increase the prices of our products or services. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to incur substantial costs to maintain the same or similar coverage. We cannot predict or estimate the amount or timing of additional costs we may incur to respond to these requirements. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our Board of Directors, our Board committees or as executive officers.

In addition, if we fail to implement the required controls with respect to our internal accounting and audit functions, our ability to report our results of operations on a timely and accurate basis could be impaired. If we do not implement the required controls in a timely manner or with adequate compliance, we may be subject to sanctions or investigation by regulatory authorities, such as the SEC or Nasdaq. Any such action could harm our reputation and the confidence of investors in, and clients of, our Company and could negatively affect our business and cause the price of our shares of common stock to decline.

We will be required by Section 404 of the Sarbanes-Oxley Act to evaluate the effectiveness of our internal control over financial reporting. We have identified a material weakness in our internal controls over financial reporting. If we are unable to remediate this material weakness, if we experience additional material weaknesses, or fail to achieve and maintain effective internal controls, our operating results and financial condition could be impacted and the market price of our common stock may be negatively affected.

As a public company with SEC reporting obligations, we will be required to document and test our internal control procedures to satisfy the requirements of Section 404(a) of the Sarbanes-Oxley Act, which will require annual assessments by management of the effectiveness of our internal control over financial reporting beginning with the annual report for our fiscal year ended December 31, 2023. We are an emerging growth company, and thus we are exempt from the auditor attestation requirement of Section 404(b) of Sarbanes-Oxley until such time as we no longer qualify as an emerging growth company. See also "— We qualify as an emerging growth company, and any decision on our part to comply with reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors" for further discussion of these exemptions. Regardless of whether we qualify as an emerging growth company, we will still need to implement substantial internal control systems and procedures in order to satisfy the reporting requirements under the Exchange Act and applicable requirements.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. In the course of preparing the consolidated financial statements for the year ended December 31, 2021, our management identified a material weakness in our internal control over financial reporting as we had not designed or maintained an effective control environment and associated control activities to meet our accounting and reporting

requirements. This material weakness contributed to additional deficiencies in the control infrastructure within specific functions of the organization resulting in a failure to evaluate, account for and disclose complex transactions in an accurate and timely manner, resulting in a restatement of the financial statements for the year ended December 31, 2020 and late adjustments to the financial statements for the year ended December 31, 2021.

We have concluded that these material weaknesses arose because, as a private company, we did not have the necessary business processes, systems, personnel and related internal controls. We have begun to remediate the material weakness and strengthen our internal control over financial reporting. Specifically, we have consolidated subject matter experts from reinsurance purchasing and financial reporting under one unit, implemented processes at contract inception and on a quarterly basis as to each outstanding reinsurance contract with variable features including management's conclusion as to risk transfer and the financial statement impact. In addition, for purchase and divestiture of business transactions, we have implemented a policy whereby the transactions are summarized and the accounting is documented and provided to designated experts for review and conclusion. We have and will continue to strengthen our finance team and implement further policies, processes and documentation procedures relating to our financial reporting, including detailed review of specified accounts that require formal sign-off on a quarterly basis.

Neither we nor our independent registered public accounting firm have tested the effectiveness of our internal control over financial reporting, and we cannot assure you that we will be able to successfully remediate the material weakness described above or to avoid the identification of additional material weaknesses in the future. In addition, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404(a) of Sarbanes-Oxley. If we conclude that our internal control over financial reporting is not effective, we cannot be certain as to the timing of completion of our evaluation, testing and remediation actions or their effect on our operations. Even if we conclude that our internal control over financial reporting is effective, our independent registered public accounting firm may conclude that there are material weaknesses with respect to our internal control over financial reporting. Moreover, any material weaknesses or other deficiencies in our internal control over financial reporting may impede our ability to file timely and accurate reports with the SEC. Any of the above could cause investors to lose confidence in our reported financial information, we could become subject to litigation or investigations by Nasdaq, the SEC or other regulatory authorities, or our common stock listed on Nasdaq to be suspended or terminated, which could require additional financial and management resources, and could have a negative effect on the trading price of our common stock.

We qualify as an emerging growth company, and any decision on our part to comply with reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.

We are an "emerging growth company," and, for as long as we continue to be an emerging growth company, we currently intend to take advantage of exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies," including, but not limited to, not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our registration statements, periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We will cease to be an emerging growth company upon the earliest of: (i) the last day of the fiscal year in which we have total annual gross revenues of $1.235 billion or more; (ii) the last day of our fiscal year following the fifth anniversary of the date of the completion of this offering; (iii) the date on which we have issued more than $1 billion in nonconvertible debt during the previous three years; and (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

We cannot predict whether investors will find our common stock less attractive if we choose to rely on these exemptions while we are an emerging growth company. If some investors find our common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common stock and the price of our common stock may be more volatile.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to avail ourselves of this extended transition period and, as a result, we will not be required to adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

There is no existing market for our common stock, and you cannot be certain that an active trading market will develop or a specific share price will be established.

Prior to this offering, there has been no public market for shares of our common stock. We have applied to list our common stock on Nasdaq under the symbol "SKWD." We cannot predict the extent to which investor interest in our Company will lead to the development of a trading market on such exchange or otherwise or how liquid that market might become. If an active and liquid trading market does not develop, you may have difficulty selling your shares of common stock at an attractive price, or at all. The initial public offering price for the shares of our common stock will be determined by negotiations among us, the selling stockholders and the underwriters, and may not be indicative of the price that will prevail in the trading market following this offering. The market price for our common stock may decline below the initial public offering price, and our stock price is likely to be volatile.

Our operating results and stock price may be volatile, or may decline regardless of our operating performance, and you could lose all or part of your investment.

Our quarterly operating results are likely to fluctuate in the future as a publicly-traded company. In addition, securities markets worldwide have experienced, and are likely to continue to experience, significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could subject the market price of our shares to wide price fluctuations regardless of our operating performance. You should consider an investment in our common stock to be risky, and you should invest in our common stock only if you can withstand a significant loss and wide fluctuation in the market value of your investment. The market price of our common stock could be subject to significant fluctuations after this offering in response to the factors described in this "Risk Factors" section and other factors, many of which are beyond our control. Among the factors that could affect our stock price are:

- market conditions in the broader stock market;
- actual or anticipated fluctuations in our quarterly financial and operating results;
- introduction of new products or services by us or our competitors;
- issuance of new or changed securities analysts' reports or recommendations;
- results of operations that vary from expectations of securities analysts and investors;
- short sales, hedging and other derivative transactions in our common stock;
- guidance, if any, that we provide to the public, any changes in this guidance or our failure to meet this guidance;
- strategic actions by us or our competitors;
- announcement by us, our competitors or our acquisition targets;
- sales, or anticipated sales, of large blocks of our stock, including by our directors, executive officers and principal stockholders;
- additions or departures in our Board or Directors, senior management or other key personnel;
- regulatory, legal or political developments;
- public response to press releases or other public announcements by us or third parties, including our filings with the SEC;
- litigation and governmental investigations;
- changing economic conditions;
- changes in accounting principles;

- any indebtedness we may incur or securities we may issue in the future;
- default under agreements governing our indebtedness;
- exposure to capital and credit market risks that adversely affect our investment portfolio or our capital resources;
- changes in our credit ratings; and
- other events or factors, including those from natural disasters, war, actors of terrorism or responses to these events.

The securities markets have from time to time experienced extreme price and volume fluctuations that often have been unrelated or disproportionate to the operating performance of particular companies. As a result of these factors, investors in our common stock may not be able to resell their shares at or above the initial offering price. These broad market fluctuations, as well as general market, economic and political conditions, such as recessions, loss of investor confidence or interest rate changes, may negatively affect the market price of our common stock.

In addition, the stock markets, including Nasdaq, have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. If any of the foregoing occurs, it could cause our stock price to fall and may expose us to securities class action litigation that, even if unsuccessful, could be costly to defend, divert management's attention and resources or harm our business.

Sales of outstanding shares of our common stock into the market in the future could cause the market price of our common stock to drop significantly, even if our business is doing well.

Upon completion of this offering, we will have outstanding an aggregate of approximately shares of our common stock, assuming no exercise of the underwriters' option to purchase additional shares. Of these shares, shares to be sold in this offering will be freely tradable without restriction or further registration under the Securities Act, unless such shares are held by our directors, executive officers or any of our affiliates, as that term is defined in Rule 144 under the Securities Act. All remaining shares of common stock outstanding following this offering will be "restricted securities" within the meaning of Rule 144 under the Securities Act. Restricted securities may not be sold in the public market unless the sale is registered under the Securities Act or an exemption from registration is available. We have granted registration rights to certain holders of our common stock pursuant to our Amended and Restated Stockholders' Agreement. Any shares registered pursuant to the registration rights agreement that we expect to amend and restate in connection with this offering described in "Certain Relationships and Related Party Transactions" will be freely tradable in the public market following a 180-day lock-up period as described below. Sales of our common stock in the public market after this offering, or the perception that these sales could occur, could cause the market price of our common stock to decline and may make it more difficult for us to sell equity or equity-linked securities in the future at a time and at a price that we deem necessary or appropriate.

In connection with this offering, our directors, executive officers, and certain of our stockholders have each agreed to enter into "lock-up" agreements with the underwriters and thereby are subject to a lock-up period, meaning that they and their permitted transferees will not be permitted to sell any shares of our common stock for 180 days after the date of this prospectus, subject to certain customary exceptions without the prior consent of the representatives of the underwriters. Although we have been advised that there is no present intention to do so, the representatives may, in their sole discretion, release all or any portion of the shares from the restrictions in any of the lock-up agreements described above. See the section entitled "Underwriting" for more information. Possible sales of these shares in the market following the waiver or expiration of such agreements could exert significant downward pressure on our stock price.

We expect that upon the consummation of this offering, the 2022 Plan and the ESPP will permit us to issue, among other things, stock options, restricted stock units and restricted stock to eligible employees (including our Named Executive Officers), directors and advisors, as determined by the compensation committee of the Board of Directors. We intend to file a registration statement under the Securities Act, as

soon as practicable after the consummation of this offering, to cover the issuance of shares upon the exercise of awards granted, and of shares granted, under our existing plan, the 2022 Plan and the ESPP. As a result, any shares issued under the 2022 Plan and the ESPP after the consummation of this offering also will be freely tradable in the public market. If equity securities are granted under the 2022 Plan and the ESPP and it is perceived that they will be sold in the public market, then the price of our common stock could decline.

Also, in the future, we may issue our securities in connection with investments or acquisitions. The amount of shares of our common stock issued in connection with an investment or acquisition could constitute a material portion of our then outstanding shares of our common stock.

Our management will have broad discretion over the use of the proceeds we receive in this offering and might not apply the proceeds in ways that increase the value of your investment.

Our management will have broad discretion in the application of the net proceeds from the sale of shares by us in this offering, including for any of the purposes described in the section entitled "Use of Proceeds," and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used appropriately. Because of the number and variability of factors that will determine our use of the net proceeds from the sale of shares by us in this offering, their ultimate use may vary substantially from their currently intended use. Our management may not apply our net proceeds in ways that ultimately increase the value of your investment. The failure by our management to apply these funds effectively could harm our business. If we do not invest or apply the net proceeds from the sale of shares by us in this offering in ways that enhance stockholder value, we may fail to achieve expected financial results, which could cause our stock price to decline.

We may change our underwriting guidelines or our strategy without stockholder approval.

Our management has the authority to change our underwriting guidelines or our strategy without notice to our stockholders and without stockholder approval. As a result, we may make fundamental changes to our operations without stockholder approval, which could result in our pursuing a strategy or implementing underwriting guidelines that may be materially different from the strategy or underwriting guidelines described in the section entitled "Business" or elsewhere in this prospectus.

Investors in this offering will suffer immediate and substantial dilution.

The initial public offering price is higher than the net stockholders' tangible book value per share of our common stock based on the total value of our tangible assets less our total liabilities divided by our shares of common stock outstanding immediately following this offering. Therefore, if you purchase common stock in this offering, you will experience immediate and substantial dilution in net tangible book value per share after consummation of this offering. You may experience additional dilution upon future equity issuances. See the section entitled "Dilution."

The issuance of additional stock, our stock incentive plans or otherwise will dilute all other stockholdings.

After this offering, based upon the initial public offering price of $ per share, we will have an aggregate of shares of common stock authorized but unissued and not reserved for issuance under our equity incentive plans, options granted to our directors, employees and consultants, or otherwise, assuming no exercise of the underwriters' option to purchase additional shares. We may issue all of these shares without any action or approval by our stockholders. The issuance of additional shares could be dilutive to existing holders.

Anti-takeover provisions in our organizational documents could delay a change in management and limit our share price.

Provisions of our certificate of incorporation and bylaws could make it more difficult for a third party to acquire control of us even if such a change in control would increase the value of our common stock and prevent attempts by our stockholders to replace or remove our current Board of Directors or management.

We will have a number of anti-takeover devices that will be in place prior to the completion of this offering that will hinder takeover attempts and could reduce the market value of our common stock or prevent sale at a premium. Our anti-takeover provisions:

- will permit the Board of Directors to establish the number of directors and fill any vacancies and newly created directorships;
- will provide that our Board of Directors will be classified into three classes with staggered, three-year terms and that directors may only be removed for cause;
- will require super-majority voting to amend provisions in our certificate of incorporation and bylaws;
- will include blank-check preferred stock, the preference rights and other terms of which may be set by the Board of Directors and could delay or prevent a transaction or a change in control that might involve a premium price for our common stock or otherwise benefit our stockholders;
- will eliminate the ability of our stockholders to call special meetings of stockholders;
- will specify that special meetings of our stockholders can be called only by our Board of Directors, the chairman of our Board of Directors, or our chief executive officer;
- will prohibit stockholder consent action by other than unanimous written consent;
- will provide that vacancies on our Board of Directors may be filled only by a majority of directors then in office, even though less than a quorum;
- will prohibit cumulative voting in the election of directors; and
- will establish advance notice requirements for nominations for election to our Board of Directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

In addition, as a Delaware corporation, we will be subject to Section 203 of the Delaware General Corporation Law. These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a period of time.

Our certificate of incorporation and bylaws provide that the Court of Chancery of the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our certificate of incorporation and bylaws provide that the Court of Chancery of the State of Delaware is the exclusive forum for the following civil actions:

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of a fiduciary duty by any of our directors, officers, employees or agents or our stockholders;
- any action asserting a claim arising pursuant to any provision of the DGCL or our certificate of incorporation or bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware;
- any action to interpret, apply, enforce or determine the validity of our certificate of incorporation or our bylaws; or
- any action asserting a claim governed by the internal affairs doctrine.

Our certificate of incorporation and bylaws further provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America shall, to the fullest extent permitted by law, be the sole and exclusive forum for the resolutions of any complaint asserting a cause of action arising under the Securities Act. Furthermore, this application to Securities Act claims and Section 22 of the Securities Act create concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Accordingly, there is uncertainty as to whether a court would enforce such provision, and our stockholders

will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder. However, this exclusive forum provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. This choice of forum provision, if enforced, may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees, although our stockholders will not be deemed to have waived our compliance with federal securities laws and the rules and regulations thereunder. Alternatively, if a court were to find the choice of forum provision contained in our certificate of incorporation and bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could have a material adverse effect on our business, financial condition or results of operations.

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

The trading market for our common stock will depend, in part, on the research and reports that securities or industry analysts publish about us or our business and our industry. We do not currently have, and may never obtain, research coverage by securities and industry analysts. If no securities or industry analysts commence coverage of our Company, the trading price for our common stock would likely be negatively impacted. If we obtain securities or industry analyst coverage and if one or more of the analysts who cover us downgrades our common stock or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our common stock could decrease, which could cause our stock price and trading volume to decline.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the federal securities laws that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this prospectus, including statements regarding our future results of operations or financial condition, business strategy and plans, and objectives of management for future operations are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "would," "potential" or "continue" or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. These forward-looking statements include, among others, statements relating to our future financial performance, our business prospects and strategy, our market opportunity and the potential growth of that market, our anticipated financial position, our liquidity and capital needs and other similar matters. These forward-looking statements are based on management's current expectations and assumptions about future events, which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict.

Our actual results may differ materially from those expressed in, or implied by, the forward-looking statements included in this prospectus as a result of various factors, including, among others:

- our inability to accurately assess our underwriting risk;
- considerable competition for business in our industry;
- exposure to certain risks arising out of our reliance on insurance retail agents and brokers, wholesalers and program administrators as certain of our distribution channels;
- inability to purchase third-party reinsurance in amounts we desire on commercially acceptable terms or on terms that adequately protect us;
- inadequate losses and loss expense reserves to cover our actual losses;
- a decline in our financial strength rating;
- unexpected changes in the interpretation of our coverage or provisions, including loss limitations and exclusions, in our policies;
- our reinsurers failure reimburse us for claims on a timely basis, or at all;
- failure to accurately and timely pay claims;
- changes in accounting practices;
- increased costs as a result of being a public company; and
- the failure to maintain effective internal controls in accordance with Sarbanes-Oxley.

We have based the forward-looking statements contained in this prospectus primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, prospects, business strategy and financial needs. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, assumptions and other factors described in the section captioned "Risk Factors" and elsewhere in this prospectus. These risks are not exhaustive. Other sections of this prospectus include additional factors that could adversely impact our business and financial performance. Furthermore, new risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this prospectus. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this prospectus, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive

inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

You should read this prospectus and the documents that we reference in this prospectus and have filed as exhibits to the registration statement of which this prospectus forms a part with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

The forward-looking statements made in this prospectus relate only to events as of the date on which such statements are made. We undertake no obligation to update any forward-looking statements after the date of this prospectus or to conform such statements to actual results or revised expectations, except as required by law.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of shares of our common stock in this offering will be approximately $ million, based upon the assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting the estimated underwriting discounts and estimated offering expenses payable by us. If the underwriters' option to purchase additional shares is exercised in full, we estimate that the net proceeds to be received by us will be approximately $ million, after deducting the estimated underwriting discounts and estimated offering expenses payable by us. We will not receive any of the proceeds from the sale of our common stock in this offering by the selling stockholders.

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the net proceeds that we receive from this offering by approximately $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and estimated offering expenses payable by us. Similarly, each increase (decrease) of 1.0 million in the number of shares offered by us would increase (decrease) the net proceeds that we receive from this offering by approximately $ million, assuming that the assumed initial public offering price remains the same and after deducting the estimated underwriting discounts and estimated offering expenses payable by us.

The principal purposes of this offering are to increase our capitalization and financial flexibility, create a public market for our common stock and thereby enable access to the public equity markets for us and our stockholders. We intend to use the net proceeds to us from this offering to make capital contributions of up to $ to our insurance company subsidiaries in order to grow our business and the remainder for general corporate purposes. Pending the use of the proceeds from this offering as described above, we intend to invest the net proceeds from the offering in accordance with our investment policy as determined by our Investment Committee.

This expected use of net proceeds from this offering represents our intentions based on our current plans and business conditions, which could change in the future as our plans and business conditions evolve. As a result, our management will have broad discretion over the uses of the net proceeds from this offering and investors will be relying on the judgement of our management regarding the application of the net proceeds from this offering.

DIVIDEND POLICY

While we have paid dividends in the past, we currently intend to retain any future earnings for use in the operation of our business and do not intend to declare or pay any cash dividends in the foreseeable future. Any further determination to pay dividends on our capital stock will be at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, results of operations, capital requirements, general business conditions, and other factors that our board of directors considers relevant. Our future ability to pay cash dividends on our common stock may also be limited by the terms of any future debt securities, preferred stock or credit facility.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of September 30, 2022 as follows:

- on an actual basis;
- on a pro forma basis to reflect (1) the automatic conversion of all outstanding shares of our convertible preferred stock as of September 30, 2022 into 16,305,113 shares of common stock immediately prior to the closing of this offering, and (2) the filing of our Certificate of Incorporation immediately prior to the closing of this offering; and
- on a pro forma as adjusted basis to give effect to (1) the pro forma items described immediately above, and (2) our issuance and sale of shares of common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting the estimated underwriting discounts and estimated offering expenses payable by us.

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

	As of September 30, 2022		
($ in thousands, except per share amounts)	Actual	Pro Forma (unaudited)	Pro Forma As Adjusted[1] (unaudited)
Notes payable	$ 50,000	$	$
Subordinated debt	78,589		
Total debt	128,589		
Stockholders' equity:			
Series A preferred stock, $0.01 par value, 2,000,000 shares authorized, 1,969,660 shares issued and outstanding, actual	20		
Common stock, $0.01 par value, 168,000,000 shares authorized, 16,778,263 shares issued and outstanding, actual	168		
Treasury stock, at par value, 233,289 shares	(2)		
Additional paid-in capital	576,685		
Stock notes receivable	(6,912)		
Accumulated other comprehensive income	(44,306)		
Accumulated deficit	(125,836)		
Total stockholders' equity	399,817		
Total Capitalization	$ 528,406	$	$

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

The outstanding share information in the table above is based on 16,544,974 shares of our common stock immediately prior to the closing of this offering, and 1,969,660 shares of preferred stock (which will convert into shares of our common stock based on a conversion price equal to $6.04 per share of common stock) outstanding as of September 30, 2022, and excludes:

- shares of common stock reserved for future issuance under our 2022 Plan including options to purchase shares of common stock, restricted stock and restricted stock unit awards representing an aggregate amount of shares of common stock, that our Compensation Committee granted to employees and non-employee directors following the effectiveness of the registration statement on Form S-1 of which this prospectus forms a part and pricing of this offering; and
- shares of common stock reserved for future issuance under our 2022 ESPP, which will become effective in connection with this offering.

DILUTION

If you invest in our common stock in this offering, your interest will be immediately diluted to the extent of the difference between the initial public offering price per share of our common stock in this offering and the pro forma as adjusted net tangible book value per share of our common stock after this offering. As of September 30, 2022, we had a historical net tangible book value of million, or $ per share of common stock. Our net tangible book value represents total tangible assets less total liabilities, all divided by the number of shares of common stock outstanding on such date. Our pro forma net tangible book value (deficit) as of was $ million, or $ per share.

Pro forma net tangible book value per share represents the amount of our net tangible book value divided by the number of shares of our common stock outstanding as of September 30, 2022, after giving effect to (1) the automatic conversion of all outstanding shares of our convertible preferred stock as of September 30, 2022 into 16,305,113 shares of common stock immediately prior to the closing of this offering and (2) the filing of our Certificate of Incorporation immediately prior to the closing of this offering.

After giving further effect to the sale of shares of common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus and after deducting the estimated underwriting discounts and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of September 30, 2022 would have been approximately $ million, or approximately $ per share. This represents an immediate increase in pro forma net tangible book value of $ per share to existing stockholders and an immediate dilution in pro forma net tangible book value of $ per share to new investors purchasing shares of common stock in this offering. Dilution per share to new investors is determined by subtracting pro forma as adjusted net tangible book value per share after this offering from the initial public offering price per share paid by new investors. The following table illustrates this per share dilution:

Assumed initial public offering price per share		$
Historical net tangible book value per share as of September 30, 2022	$	
Increase per share attributable to the pro forma adjustments described above		
Pro forma net tangible book value per share as of September 30, 2022		
Increase in pro forma net tangible book value per share attributable to this offering		
Pro forma as adjusted net tangible book value per share after this offering		
Dilution in net tangible book value per share to new investors in this offering		$

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease), our pro forma as adjusted net tangible book value per share after this offering by $, and would increase (decrease) dilution per share to new investors in this offering by $, in each case assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and estimated offering expenses payable by us. Similarly, each increase (decrease) of 1.0 million shares in the number of shares offered by us would increase (decrease) our pro forma as adjusted net tangible book value per share after this offering by approximately $ per share and decrease (increase) the dilution to new investors by approximately $ per share, in each case assuming that the assumed initial public offering price remains the same, and after deducting the estimated underwriting discounts and estimated offering expenses payable by us.

The following table summarizes, on a pro forma as adjusted basis as of September 30, 2022, the differences between the number of shares of common stock purchased from us, the total consideration paid and the average price per share paid by existing stockholders and to be paid by the new investors purchasing shares of common stock in this offering, at the assumed initial public offering price of common stock of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, before deducting the estimated underwriting discounts and estimated offering expenses payable by us.

	Shares purchased		Total consideration		Average price per share
	Number	Percent	Amount	Percent	
Existing investors		%	$	%	$
New investors in this offering					$
Total		%	$	%	

Sales by the selling stockholders in this offering will reduce the number of shares held by existing stockholders to , or approximately % of the total shares of common stock outstanding after this offering, and will increase the number of shares held by new investors to , or approximately % of the total shares of common stock outstanding after this offering.

The table above assumes no exercise of the underwriters' option to purchase additional shares in this offering. If the underwriters' option to purchase additional shares is exercised in full, the number of shares of our common stock held by existing stockholders would be reduced to % of the total number of shares of our common stock outstanding after this offering, and the number of shares of common stock held by new investors purchasing common stock in this offering would be increased to % of the total number of shares of our common stock outstanding after this offering.

The number of shares of our common stock that will be outstanding after this offering is based on 16,544,974 shares of our common stock immediately prior to the closing of this offering, and 1,969,660 shares of our preferred stock (which will convert into shares of our common stock based on a conversion price equal to $6.04 per share of common stock) outstanding as of September 30, 2022, and excludes:

- shares of common stock reserved for future issuance under our 2022 Long-Term Incentive Plan, or the 2022 Plan including options to purchase shares of common stock, restricted stock and restricted stock unit awards representing an aggregate amount of shares of common stock, that our Compensation Committee granted to employees and non-employee directors following the effectiveness of the registration statement on Form S-1 of which this prospectus forms a part and pricing of this offering; and
- shares of common stock reserved for future issuance under our 2022 Employee Stock Purchase Plan, or the ESPP, which will become effective in connection with this offering.

To the extent any of the outstanding options are exercised or new options or other securities are issued under our equity incentive plans, you will experience further dilution as a new investor in this offering. In addition, we may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. Furthermore, we may choose to issue common stock as part or all of the consideration in acquisitions as part of our planned growth strategy. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our stockholders.

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

The following discussion of our historical results of operations and our liquidity and capital resources should be read together with the section entitled "Prospectus Summary — Summary Historical Consolidated Financial and Other Data" and the consolidated financial statements and related notes that appear elsewhere in this prospectus. In addition to historical financial information, this prospectus contains "forward-looking statements." You should review the "Special Note Regarding Forward-Looking Statements" and "Risk Factors" sections of this prospectus for factors and uncertainties that may cause our actual future results to be materially different from those in our forward-looking statements. Forward-looking statements in this prospectus are based on information available to us as of the date hereof, and we assume no obligation to update any such forward-looking statements.

Overview

We are a growing specialty insurance company delivering commercial P&C products and solutions on a non-admitted (or E&S) and admitted basis, predominantly in the United States. We focus our business on markets that are underserved, dislocated and/or for which standard insurance coverages are insufficient or inadequate to meet the needs of businesses, including our customers and prospective customers operating in these markets. Our customers typically require highly specialized, customized underwriting solutions and claims capabilities. As such, we develop and deliver tailored insurance products and services to address each of the niche markets we serve.

Our portfolio of insured risks is highly diversified — we insure customers operating in a wide variety of industries; we distribute through multiple channels; we write multiple lines of business, including general liability, excess liability, professional liability, commercial auto, group accident and health, property, surety and workers' compensation; we insure both short and medium duration liabilities; and our business mix is balanced between E&S and admitted markets. All of these factors enable us to respond to market opportunities and dislocations by deploying capital with attractive risk-adjusted returns. We believe this diversification, combined with our underwriting and claims expertise, will produce strong growth and consistent profitability across P&C insurance pricing cycles.

We seek to lead in our chosen market niches and establish sustainable competitive positions in these markets. We refer to this strategy as "Rule Our Niche" and it forms the basis of our approach to building a strong defensible market position, creating a competitive moat, and winning our chosen markets. We believe that the principles underlying our strategy are key to achieving and sustaining best-in-class underwriting results through P&C insurance pricing cycles. We consistently strive for excellence in risk selection, pricing, and claims outcomes, and to amplify these critical functions with the use of advanced technology and analytics.

All of our insurance company subsidiaries are group rated and have financial strength ratings of "A-" (Excellent) from A.M. Best with a stable outlook, which was affirmed as of September 30, 2022.

Factors Affecting Our Results of Operations

Beginning in 2020, we embarked upon a series of changes to refocus our strategy and position us for emerging opportunities in our chosen markets. In April 2020, we entered into the previously noted LPT reinsurance transaction covering policy years 2017 and prior to limit our exposure to loss reserve development primarily associated with certain exited businesses and to allow our management team to focus resources on profitably growing our continuing business. We present additional details regarding the financial impact of the LPT below.

In May 2020, we appointed Andrew Robinson as our Chief Executive Officer. Under Mr. Robinson's leadership we made several organizational and strategic changes, multiple key hires across the organization, significant investment in technology and implementation of our name change and rebranding to Skyward Specialty. We also launched select new underwriting divisions and units and product lines, and substantially increased our Surety operations while exiting underperforming classes and divisions that did not fit within our "Rule Our Niche" strategy. The exited classes and divisions include specialty workers' compensation, lawyers'

professional liability, automobile dealers programs, insurance agents and brokers professional liability, title agents professional liability, commercial auto for the timber industry and liability solutions for the hospitality industry.

In order to present our results of operations in a manner that aligns to the organizational and strategic changes which we have made, we present adjusted metrics which exclude the cost of entering into the LPT, the development of reserves subject to the LPT, and reinsurance recoveries under the LPT, which we refer to as "excluding the net impact of the LPT." We have chosen to exclude the net impact of the LPT in certain non-GAAP metrics as the business subject to the LPT is not representative of our continuing business strategy. The business subject to the LPT is related to policy years 2017 and prior, was generated and managed under prior leadership, and has been predominantly exited during the re-positioning of our portfolio. See "— Reconciliation of Non-GAAP Financial Measures" for a reconciliation of the Non-GAAP metrics we present in this prospectus.

Loss Portfolio Transfer

On April 1, 2020 (the "Inception Date"), we entered into a LPT retroactive reinsurance agreement with R&Q Bermuda (SAC) Limited, a third party reinsurer, with a valuation date of June 30, 2019 (the "Valuation Date"). As of the Valuation Date, we agreed to cede $153.1 million of net losses and LAE reserves (the "Net LPT Reserves") for certain lines of business, primarily related to 2017 and prior policy years, subject to an aggregate cash deductible of $105 million which was withheld from the reinsurer. Subsequent to the Valuation Date but prior to the Inception Date, we strengthened the Net LPT Reserves by $5.5 million. This development resulted in an increase in the Net LPT Reserves of $158.6 million. As part of the agreement, net cash remitted to the third party reinsurer for the cession of the Net LPT Reserves was $53.6 million (reflecting the $158.6 million of Net LPT Reserves less the $105 million cash deductible).

As of the Inception Date, the LPT provided reinsurance protection of approximately $127.4 million above the Net LPT Reserves, subject to co-participations at specified amounts, detailed below. We paid $43.5 million in premium to the reinsurer for this reinsurance protection.

This premium payment combined with the $53.6 million remitted to the reinsurer resulted in a total cash transfer of $97.1 million on the Inception Date. See the sections entitled "Business — Reinsurance" and "Business — Reserves" for further details.

Subsequent to entering into the LPT, and during the year ended December 31, 2020, we strengthened the Net LPT Reserves by $49.0 million, resulting in an increase in the amount ceded under this agreement. The impact of the increase in the amount ceded was partially offset by $32.7 million of reinsurance recoveries. In total, we recognized $59.8 million of pre-tax net impact of the LPT, which was recorded in losses and LAE for the year ended December 31, 2020.

During the year ended December 31, 2021, we further strengthened the reserves for certain business subject to the LPT by $28.0 million, resulting in an increase in the amount ceded under this agreement. The increase in the amount ceded was partially offset by $11.9 million of reinsurance recoveries and $2.1 million of deferred gain. In total, we recognized $16.1 million of pre-tax net LPT expense, which was recorded in losses and LAE for the year ended December 31, 2021.

During the nine months ended September 30, 2022, we further strengthened the reserves for certain business subject to the LPT by $14.4 million, resulting in an increase in the amount ceded under this agreement. The increase in the amount ceded was partially offset by $5.1 million of reinsurance recoveries and $2.1 million of deferred gain. The deferred gain is recorded on our balance sheet in Other Liabilities and will earn through our income statement through loss and LAE over approximately two years, which represents the estimated time period in which we expect to receive recoveries of losses paid subject to the LPT. In total, we recognized $9.3 million of pre-tax net LPT expense, which was recorded in losses and LAE for nine months ended September 30, 2022. This action is consistent with our commitment to maintaining a conservative balance sheet and takes us to the top of the co-participation layer under our LPT agreement, meaning we have 100% reinsurance protection for the next $36.0 million of incurred losses, if any, on business subject to the LPT.

The following table presents the financial impact of entering into the LPT and subsequent strengthening of the of the reserves subject to the LPT on the statements of operations for the nine months ended September 30, 2022 and the years ended December 31, 2021 and 2020:

($ in thousands)	For the nine months ended September 31, 2022	For the years ended December 31, 2021	2020
Expense to enter the LPT	$ —	$ —	$(43,476)
Strengthening of LPT reserves	(14,385)	(28,000)	(49,013)
Reinsurance recoveries from the LPT	5,114	11,937	32,692
Net impact of the LPT (pre-tax)	**$ (9,271)**	**$(16,063)**	**$(59,797)**

Components of Our Results of Operations

Gross written premiums

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

Ceded written premiums

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

Net written premiums

Net written premiums are gross written premiums less ceded written premiums.

Net earned premiums

Net earned premiums represent the earned portion of our net written premiums. Our insurance policies generally have a term of one year and premiums are earned pro rata over the term of the policy.

Commission and fee income

Commission and fee income consists of commissions and fees earned on policies placed with third party insurance companies. In certain instances, the fee income relates to placement of business which is part of our packaged solutions. We recognize commission and fee income on the effective date of the policies.

Net investment income

We earn investment income on our portfolio of cash and invested assets, which includes cash and short-term investments, fixed maturity securities, equity securities, and private equity investments.

Net unrealized gains (losses)

Net unrealized gains (losses) represent the increase or decrease in the fair value of equity securities and loans held as investments during the period.

Net realized investment gains (losses)

Net realized investment gains (losses) are a function of the difference between the amount received by us on the sale of a security and the security's amortized cost, as well as any credit impairments recognized in earnings.

Losses and LAE

Losses and LAE represent the costs incurred for insured losses, such as losses under a policy, whether paid or unpaid, as well as expenses of settling claims, including settlements, attorneys' fees, investigation, appraisal, adjustment, defense costs, and the portion of general expenses allocated to claim resolution. Losses and LAE include a provision for claims that have occurred but have not yet been reported to the insurer. These expenses are a function of the amount and type of insurance contracts we write, and the loss experience associated with the underlying coverage. In general, our losses and LAE are affected by:

- the occurrence, frequency and severity of claims associated with the particular types of insurance contracts that we write;
- the reinsurance agreements we have in place at the time of a loss;
- the mix of business written by us;
- changes in the legal or regulatory environment related to the business we write;
- trends in legal defense costs; and
- inflation in the cost of claims including inflation related to wages, medical costs, building materials and automobile repairs.

Losses and LAE are based on actual paid losses and expenses, as well as an actuarial analysis of the estimated losses, including losses incurred during the period and changes in estimates from prior periods. Losses and LAE may be paid out over a period of years.

Underwriting, acquisition and insurance expenses

Underwriting, acquisition and insurance expenses include policy acquisition costs and other underwriting and insurance expenses. Policy acquisition costs consist of commissions we pay retail agents and brokers, program administrators, captive managers and third-party administrators, net of ceding commissions we receive from reinsurers on business ceded under certain of our reinsurance contracts. In addition, acquisition expenses include premium-related taxes and other fees. Our policy acquisition costs vary with, and are directly related to, the successful production of new or renewal business. Acquisition expenses related to each policy we write are deferred and amortized to expense in proportion to the premium earned over the term of the policy. Other underwriting and insurance expenses represent the general and administrative expenses of our insurance operations including employee compensation and benefits, and corporate functions such as technology costs, office rent, depreciation and professional service fees including legal, accounting, and actuarial.

Impairment charges

Impairment charges represent reductions in the carrying value of goodwill and intangible assets.

Other income and expenses

Other income and expenses includes gain (loss) on sale of a business and miscellaneous income and expenses.

Interest expense

Interest expense consists of interest incurred during the period related to our term loan, Trust Preferred, and subordinated notes, as well as on our revolving line of credit when applicable.

Amortization expense

Amortization expense consists of the amortization of intangible assets incurred during the period.

Income tax expense (benefit)

Income tax expense primarily relates to federal income taxes. The amount of income tax expense or benefit recorded in future periods will depend on the jurisdictions in which we operate and the tax laws and regulations in effect.

Key Operating and Financial Metrics

We discuss certain key metrics, described below, which provide useful information about our business and the operational factors underlying our financial performance. These metrics are generally standard among insurance companies and help to provide comparability with our peers.

Net retention, expressed as a percentage, is the ratio of net written premiums to gross written premiums.

Underwriting income (loss) is a non-GAAP financial measure defined as income (loss) before income taxes excluding net investment income, net realized and unrealized gains and losses on investments, impairment charges, interest expense, amortization expense and other income and expenses. See "— Reconciliation of Non-GAAP Financial Measures" for a reconciliation of underwriting income (loss) to net income, which is the most directly comparable financial metric prepared in accordance with GAAP.

Loss ratio, expressed as a percentage, is the ratio of losses and LAE to net earned premiums.

Expense ratio, expressed as a percentage, is the ratio of underwriting, acquisition and insurance expenses less commission and fee income to net earned premiums. In certain instances, fee income relates to business placed with other insurers as part of our packaged solution.

Combined ratio is the sum of loss ratio and expense ratio. A combined ratio under 100% indicates an underwriting profit. A combined ratio over 100% indicates an underwriting loss.

Adjusted loss ratio, expressed as a percentage, is a non-GAAP financial measure defined as the ratio of losses and LAE, excluding losses and LAE related to the LPT and all development on reserves fully or partially covered by the LPT, to net earned premiums. See "— Reconciliation of Non-GAAP Financial Measures" for a reconciliation of adjusted loss ratio to loss ratio, which is the most directly comparable financial metric prepared in accordance with GAAP.

Adjusted combined ratio is a non-GAAP financial measure defined as the sum of the adjusted loss ratio and the expense ratio. See "— Reconciliation of Non-GAAP Financial Measures" for a reconciliation of adjusted combined ratio to combined ratio, which is the most directly comparable financial metric prepared in accordance with GAAP.

Adjusted operating income (loss) is a non-GAAP financial measure defined as net income excluding the net impact of the LPT, net realized and unrealized gains or losses on investments, goodwill impairment charges and other income and expenses. See "— Reconciliation of Non-GAAP Financial Measures" for a reconciliation of adjusted operating income (loss) to net income (loss), which is the most directly comparable financial metric prepared in accordance with GAAP.

Return on equity is net income as a percentage of average beginning and ending stockholders' equity, plus any temporary equity, during the applicable period.

Adjusted return on equity is a non-GAAP financial measure defined as adjusted operating income as a percentage of average beginning and ending stockholders' equity, plus any temporary equity, during the applicable period. See "— Reconciliation of Non-GAAP Financial Measures" for a reconciliation of adjusted return on equity to return on equity, which is the most directly comparable financial metric prepared in accordance with GAAP.

Tangible stockholders' equity is a non-GAAP financial measure defined as stockholders' equity, plus any temporary equity, during the applicable period less goodwill and intangible assets. See "— Reconciliation of Non-GAAP Financial Measures" for a reconciliation of tangible stockholders' equity to stockholders' equity, which is the most directly comparable financial metric prepared in accordance with GAAP.

Return on tangible equity is a non-GAAP financial measure defined as net income as a percentage of average beginning and ending tangible stockholders' equity during the applicable period. See "— Reconciliation of Non-GAAP Financial Measures" for a reconciliation of return on tangible equity to return on equity, which is the most comparable financial metric prepared in accordance with GAAP.

Adjusted return on tangible equity is a non-GAAP financial measure defined as adjusted operating income as a percentage of average beginning and ending tangible stockholders' equity during the applicable period.

See "— Reconciliation of Non-GAAP Financial Measures" for a reconciliation of adjusted return on tangible equity to return on equity, which is the most comparable financial metric prepared in accordance with GAAP.

Results of Operations

Nine months ended September 30, 2022 compared to the nine months ended September 30, 2021

The following table summarizes our results of operations for the nine months ended September 30, 2022 and 2021:

	For the nine months ended September 30,			
	2022	2021	Change	% Change
Gross written premiums	$ 879,119	$ 715,676	$163,443	22.8%
Ceded written premiums	(383,533)	(327,512)	(56,021)	(17.1)%
Net written premiums	**$ 495,586**	**$ 388,164**	**$107,422**	**27.7%**
Net earned premiums	$ 445,851	$ 366,052	$ 79,799	21.8%
Commission and fee income	3,652	2,664	988	37.1%
Losses and LAE	293,536	249,828	43,708	17.5%
Underwriting, acquisition and insurance expenses	132,258	98,992	33,266	33.6%
Underwriting income (loss)[1]	**$ 23,709**	**$ 19,896**	**$ 3,813**	**(19.2)%**
Net investment income	31,667	20,616	11,051	53.6%
Net investment (losses) gains	(26,117)	10,021	(36,138)	NM
Impairment charges	—	(2,821)	2,821	NM
Other income and (expenses)	—	3,560	(3,560)	NM
Interest expense	4,280	3,465	815	23.5%
Amortization expense	1,160	1,134	26	2.3%
Income (loss) before federal income tax	**$ 23,819**	**$ 46,673**	**$ (22,854)**	**49.0%**
Income tax expense (benefit)	4,842	9,671	(4,829)	49.9%
Net income (loss)	**$ 18,977**	**$ 37,002**	**$ (18,025)**	**48.7%**
Adjusted operating income[1]	**$ 46,934**	**$ 28,502**	**$ 18,432**	**64.7%**
Loss ratio	65.9%	68.3%		
Expense ratio	28.8%	26.3%		
Combined ratio	**94.7%**	**94.6%**		
Annualized return on equity	6.1%	12.0%		
Annualized return on tangible equity[1]	7.9%	15.3%		
Adjusted loss ratio[1]	63.8%	68.3%		
Expense ratio	28.8%	26.3%		
Adjusted combined ratio[1]	**92.6%**	**94.6%**		
Annualized adjusted return on equity[1]	15.2%	9.2%		
Annualized adjusted return on tangible equity[1]	19.4%	11.8%		

(1) Non-GAAP financial measure. See the section entitled "— Reconciliation of Non-GAAP Financial Measures" for a reconciliation of the Non-GAAP financial measures in accordance with their most applicable GAAP measure.

Premiums

The following table presents gross written premiums by underwriting division for the nine months ended September 30, 2022 and 2021:

	For the nine months ended September 30,					
($ in thousands)	**2022**	**% of Total**	**2021**	**% of Total**	**Change**	**% Change**
Industry Solutions	$202,237	23.0%	$150,599	21.0%	$ 51,638	34.3%
Global Property	177,565	20.2%	140,815	19.7%	36,750	26.1%
Programs	131,752	15.0%	110,301	15.4%	21,451	19.4%
Accident & Health	97,107	11.0%	83,542	11.7%	13,565	16.2%
Captives	97,580	11.1%	70,355	9.8%	27,224	38.7%
Professional Lines	62,127	7.1%	44,060	6.2%	18,067	41.0%
Surety	53,734	6.1%	33,396	4.7%	20,338	60.9%
Transactional E&S	52,645	6.0%	17,492	2.4%	35,153	201.0%
Total continuing business	**$874,746**	**99.5%**	**$650,560**	**90.9%**	**$224,186**	**34.5%**
Exited business	4,373	0.5%	65,116	9.1%	(60,743)	(93.3)%
Total gross written premiums	**$879,119**	**100.0%**	**$715,676**	**100.0%**	**$163,443**	**22.8%**

Gross written premiums were $879.1 million for the nine months ended September 30, 2022, compared to $715.7 million for the nine months ended September 30, 2021, an increase of $163.4 million, or 22.8%. Growth in gross written premiums was achieved by growth in our continuing business, which increased by a total of $224.2 million or 34.5% compared to the prior year. This growth was partially offset by a $60.7 million, or 93.3%, decline within exited business.

Gross written premium growth within continuing business was driven by organic growth through strong policy retention, achievement of premium rate increases and new business production, particularly within our Industry Solutions, Global Property and Accident & Health divisions. Growth was also driven by the addition of new Programs and Captives, as well as continued production from newly-hired underwriting talent, primarily within the Professional Lines, Surety and Transactional E&S divisions.

Net written premiums were $495.6 million for the nine months ended September 30, 2022, compared to $388.2 million for the nine months ended September 30, 2021, an increase of $107.4 million, or 27.7%. The growth in net written premiums was driven by the growth in gross written premiums. See the section entitled "Business — Our Business" for more information regarding gross written premiums for each underwriting division.

Net earned premiums were $445.9 million for the nine months ended September 30, 2022, compared to $366.1 million for the nine months ended September 30, 2021, an increase of $79.8 million, or 21.8%. Growth in net written premiums in 2021 and in the first nine months of 2022 drove the growth in net earned premiums year over year. See the section entitled "Business — Our Business — Reinsurance*"* for additional information on our reinsurance programs.

Loss ratio

The loss ratio and adjusted loss ratio were 65.9% and 63.8%, respectively for the nine months ended September 30, 2022 compared to a loss ratio and adjusted loss ratio of 68.3%, respectively, for the nine months ended September 30, 2021.

The following tables summarize the effect of the factors indicated above on the loss ratios for the nine months ended September 30, 2022 and 2021:

	For the nine months ended September 30,			
	2022		2021	
($ in thousands)	Losses and LAE	% of Net Earned Premiums	Losses and LAE	% of Net Earned Premiums
Loss Ratio:				
Current Accident Year[1] – Excluding Catastrophe	$279,765	62.8%	$240,500	65.8%
Current Accident Year – Catastrophe Losses[2]	4,500	1.0%	9,328	2.5%
Prior Year Development – Non-LPT Related	—	0.0%	—	0.0%
Prior Year Development – Net Impact of LPT[3]	9,271	2.1%	—	0.0%
Total	**$293,536**	**65.9%**	**$249,828**	**68.3%**
Adjusted Loss Ratio[4]:				
Current Accident Year[1] – Excluding Catastrophe	$279,765	62.8%	$240,500	65.8%
Current Accident Year – Catastrophe Losses[2]	4,500	1.0%	9,328	2.5%
Prior Year Development – Non-LPT Related	—	0.0%	—	0.0%
Total	**$284,265**	**63.8%**	**$249,828**	**68.3%**

(1) Accident year loss ratio, expressed as a percentage, is the ratio of losses and LAE for the current accident year (excluding development on prior accident year reserves) to net earned premiums.

(2) We define catastrophe losses as any single loss, or group of losses, related to a single Property Claim Services ("PCS" a Verisk company) designated catastrophe event. PCS has defined catastrophes in the United States, Puerto Rico, and the U.S. Virgin Islands as events that cause $25.0 million or more in direct insured losses to property and affect a significant number of policyholders and insurers.

(3) Includes reserve development for policy years and business subject to the LPT net of reinsurance recoveries from the LPT.

(4) Non-GAAP financial measure. See the section entitled "— Reconciliation of Non-GAAP Financial Measures" for a reconciliation of the non-GAAP financial measures in accordance with GAAP to their most applicable GAAP measure.

The improvement in the loss ratio versus the prior year was driven by an improvement in the current accident year loss ratio, excluding catastrophe losses combined with a reduction in catastrophe losses. The improvement in the current accident year loss ratio, excluding catastrophe losses was driven by changing mix of business, including the continued run-off of exited business. There were $4.5 million, or 1.0 point of catastrophe losses incurred in the first nine months of 2022 compared to $9.3 million, or 2.5 points of catastrophe losses incurred for the same 2021 period. There was $9.3 million, or 2.1 points of development related to the LPT in the first nine months of 2022, compared to no development related to the LPT for the same 2021 period.

Expense Ratio

The expense ratio was 28.8% for the nine months ended September 30, 2022 compared to 26.3% for the nine months ended September 30, 2021. The following table summarizes the components of the expense ratio for the nine months ended September 30, 2022 and 2021:

	For the nine months ended September 30,			
	2022		2021	
($ in thousands)	Expenses	% of Net Earned Premiums	Expenses	% of Net Earned Premiums
Net policy acquisition expenses	$ 45,514	10.2%	$30,656	8.4%
Other operating and general expenses	86,744	19.5%	68,336	18.6%
Underwriting, acquisition and insurance expenses	132,258	29.7%	98,992	27.0%
Commission and fee income	(3,652)	(0.9)%	(2,664)	(0.7)%
Total net expenses	**$128,606**	**28.8%**	**$96,328**	**26.3%**

The increase in the expense ratio for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021, was primarily due to changes in our mix of business, driving an increase in our net policy acquistion expense ratio.

Combined Ratio

The combined ratio and adjusted combined ratio were 94.7% and 92.6% for the nine months ended September 30, 2022, respectively, compared to a combined ratio and adjusted combined ratio of 94.6%, respectively, for the nine months ended September 30, 2021.

Investing Results

The following table summarizes the components of net investment income and net investment gains for the nine months ended September 30, 2022 and 2021:

	For the nine months ended September 30,					
	2022		2021			
($ in thousands)	Net Investment Income	Net Yield	Net Investment Income	Net Yield	$ Change	% Change
Cash and Short-term Investments	$ 645	0.5%	$ 60	0.0%	$ 585	975.0%
Core Fixed Income	10,637	2.6%	6,266	2.2%	4,371	69.8%
Opportunistic Fixed Income	19,106	13.8%	11,517	11.2%	7,589	65.9%
Equities	1,279	1.1%	2,773	3.4%	(1,494)	(53.9)%
Net investment income	**$ 31,667**	**4.0%**	**$20,616**	**3.1%**	**$ 11,051**	**53.6%**
Net unrealized (losses) gains on securities still held	$(26,180)		$ 9,068		$(35,248)	NM
Net realized investment gains	$ 63		$ 953		$ (890)	(93.4)%

Net investment income was $31.7 million for the nine months ended September 30, 2022, compared to $20.6 million for the nine months ended September 30, 2021. The increase in net investment income was driven by the deployment of cash flow from operations and reinvestment of our cash and short-term investment portfolio into higher yielding investments within our Core Fixed Income. In addition, we recognized $19.1 million of income within our Opportunistic Fixed Income portfolio partially due to market appreciation of limited partnerships during the nine months ended September 30, 2022, compared to $11.5 million during the nine months ended September 30, 2021. Limited partnership income primarily reflects increases in reported net asset values during the quarter. Until these asset values are monetized and the

resultant income is distributed, they are subject to future increases or decreases in asset value. Our investment portfolio had a net investment yield of 4.0% for the nine months ended September 30, 2022, compared to 3.1% for the nine months ended September 30, 2021.

Net unrealized losses on securities still held were $26.2 million for the nine months ended September 30, 2022 compared to net unrealized gains on securities still held of $9.1 million for the nine months ended September 30, 2021. The primary reason for the decrease was a decline in equity investment markets during the current period.

Net realized gains were $0.1 million for the nine months ended September 30, 2022, compared to $1.0 million for the nine months ended September 30, 2021.

Impairment Charges

Impairment charges were $0.0 million for the nine months ended September 30, 2022, compared to $2.8 million for the nine months ended September 30, 2021. The impairment charge in 2021 was primarily due to the write-off of goodwill within our Program underwriting division.

Other Income and Expenses

Other income was $0.0 million for the nine months ended September 30, 2022 compared to $3.6 million for the nine months ended September 30, 2021. Other income for the nine months ended September 30, 2021 was due to non-recurring gains on the sales of business units during 2021.

Amortization Expense

Amortization expense related to intangible assets was $1.2 million for the nine months ended September 30, 2022 compared to $1.1 million for the nine months ended September 30, 2021.

Interest Expense

Interest expense was $4.3 million for the nine months ended September 30, 2022 compared to $3.5 million for the nine months ended September 30, 2021.

Income Tax Expense (Benefit)

Income tax expense was $4.8 million for the nine months ended September 30, 2022 compared to income tax expense of $9.7 million for the nine months ended September 30, 2021. Our effective tax rate was 20.3% for the nine months ended September 30, 2022, compared to 20.7% for the nine months ended September 30, 2021.

Results of Operations

Year ended December 31, 2021 compared to year ended December 31, 2020

The following table summarizes our results of operations for the years ended December 31, 2021 and 2020:

	For the years ended December 31,			
	2021	**2020**	**Change**	**% Change**
Gross written premiums	$ 939,859	$ 873,613	$ 66,246	7.6%
Ceded written premiums	(410,716)	(412,090)	1,374	0.3%
Net written premiums	**$ 529,143**	**$ 461,523**	**$ 67,620**	**14.7%**
Net earned premiums	$ 499,823	$ 431,911	$ 67,912	15.7%
Commission and fee income	3,973	5,664	(1,691)	(29.9)%
Losses and LAE	354,411	362,182	(7,771)	(2.1)%
Underwriting, acquisition and insurance expenses	138,498	119,818	18,680	15.6%
Underwriting income (loss)[1]	**$ 10,887**	**$ (44,425)**	**$ 55,312**	**124.5%**
Net investment income	24,646	14,130	10,516	74.4%
Net investment gains	17,107	139	16,968	NM
Impairment charges	(2,821)	(57,582)	54,761	95.1%
Other income and (expenses)	4,632	128	4,504	NM
Interest expense	4,622	5,532	(910)	(16.4)%
Amortization expense	1,520	1,390	130	9.4%
Income (loss) before federal income tax	**$ 48,309**	**$ (94,532)**	**$ 142,841**	**151.1%**
Income tax expense (benefit)	9,992	(19,890)	29,882	150.2%
Net income (loss)	**$ 38,317**	**$ (74,642)**	**$ 112,959**	**151.3%**
Adjusted operating income[1]	**$ 36,062**	**$ 17,876**	**$ 18,185**	**101.7%**
Loss ratio	70.9%	83.9%		
Expense ratio	26.9%	26.4%		
Combined ratio	**97.8%**	**110.3%**		
Return on equity	9.4%	(19.5)%		
Return on tangible equity[1]	11.9%	(27.7)%		
Adjusted loss ratio[1]	67.7%	70.0%		
Expense ratio	26.9%	26.4%		
Adjusted combined ratio[1]	**94.6%**	**96.4%**		
Adjusted return on equity[1]	8.8%	4.7%		
Adjusted return on tangible equity[1]	11.2%	6.6%		

(1) Non-GAAP financial measure. See the section entitled "— Reconciliation of Non-GAAP Financial Measures" for a reconciliation of the Non-GAAP financial measures in accordance with their most applicable GAAP measure.

Premiums

The following table presents gross written premiums by underwriting division for the years ended December 31, 2021 and 2020:

	For the years ended December 31,					
($ in thousands)	**2021**	**% of Total**	**2020**	**% of Total**	**Change**	**% Change**
Industry Solutions	$219,973	23.4%	$176,177	20.2%	$ 43,796	24.9%
Global Property	167,887	17.9%	155,027	17.7%	12,860	8.3%
Programs	140,283	14.9%	119,479	13.7%	20,804	17.4%
Accident & Health	112,146	11.9%	94,616	10.8%	17,530	18.5%
Captives	87,836	9.3%	58,722	6.7%	29,114	49.6%
Professional Lines	59,992	6.4%	28,816	3.3%	31,176	108.2%
Surety	51,792	5.5%	13,176	1.5%	38,616	293.1%
Transactional E&S	27,997	3.0%	2,318	0.3%	25,679	1107.8%
Total continuing business	**$867,906**	**92.3%**	**$648,331**	**74.2%**	**$ 219,575**	**33.9%**
Exited business	71,953	7.7%	225,282	25.8%	(153,329)	(68.1)%
Total gross written premiums	**$939,859**	**100.0%**	**$873,613**	**100.0%**	**$ 66,246**	**7.6%**

Gross written premiums were $939.9 million for the year ended December 31, 2021, compared to $873.6 million for the year ended December 31, 2020, an increase of $66.2 million, or 7.6%. Growth in gross written premiums was achieved by growth in our continuing business, which increased by a total of $219.6 million or 33.9% compared to the prior year. This growth was partially offset by a $153.3 million, or 68.1%, decline within exited business.

Gross written premium growth within continuing business was driven by organic growth through strong policy retention, achievement of premium rate increases and new business production, particularly within our Industry Solutions, Global Property and Accident & Health divisions. Growth was also driven by the addition of new Programs and Captives during 2021, the acquisition of Aegis Surety Bonds and Insurance Services, LLC, as well as production from newly-hired underwriting talent, primarily within the Professional Lines, Surety and Transactional E&S divisions.

Net written premiums were $529.1 million for the year ended December 31, 2021, compared to $461.5 million for the year ended December 31, 2020, an increase of $67.6 million, or 14.7%. The growth in net written premiums was driven by the growth in gross written premiums, as well as an increase in our net retention as a result of a reduction in the amount of reinsurance purchased during the year ended December 31, 2021. See the section entitled “Business — Our Business” for more information regarding gross written premiums for each underwriting division.

Net earned premiums were $499.8 million for the year ended December 31, 2021, compared to $431.9 million for the year ended December 31, 2020, an increase of $67.9 million, or 15.7%. Growth in net written premiums in 2021 drove the growth in net earned premiums. See the section entitled “Business — Our Business — Reinsurance*”* for additional information on our reinsurance programs.

Loss ratio

The loss ratio was 70.9% for the year ended December 31, 2021, compared to 83.9% for the year ended December 31, 2020.

The following tables summarize the effect of the factors indicated above on the loss ratios for the years ended December 31, 2021 and 2020:

	For the years ended December 31,			
	2021		2020	
($ in thousands)	Losses and LAE	% of Net Earned Premiums	Losses and LAE	% of Net Earned Premiums
Loss Ratio:				
Current Accident Year[1] – Excluding Catastrophe	$326,520	65.3%	$ 297,622	68.9%
Current Accident Year – Catastrophe Losses[2]	11,828	2.4%	4,223	1.0%
Prior Year Development – Non-LPT Related	—	0.0%	540	0.1%
Prior Year Development – Net Impact of LPT[3]	16,063	3.2%	59,797	13.8%
Total	**$ 354,411**	**70.9%**	**$ 362,182**	**83.9%**
Adjusted Loss Ratio[4]:				
Current Accident Year[1] – Excluding Catastrophe	$326,520	65.3%	$ 297,622	68.9%
Current Accident Year – Catastrophe Losses[2]	11,828	2.4%	4,223	1.0%
Prior Year Development – Non-LPT Related	—	0.0%	540	0.1%
Total	**$338,348**	**67.7%**	**$ 302,385**	**70.0%**

(1) Accident year loss ratio, expressed as a percentage, is the ratio of losses and LAE for the current accident year (excluding development on prior accident year reserves) to net earned premiums.

(2) We define catastrophe losses as any single loss, or group of losses, related to a single Property Claim Services ("PCS" a Verisk company) designated catastrophe event. PCS has defined catastrophes in the United States, Puerto Rico, and the U.S. Virgin Islands as events that cause $25.0 million or more in direct insured losses to property and affect a significant number of policyholders and insurers.

(3) Includes reserve development for policy years and business subject to the LPT net of reinsurance recoveries from the LPT.

(4) Non-GAAP financial measure. See the section entitled "— Reconciliation of Non-GAAP Financial Measures" for a reconciliation of the non-GAAP financial measures in accordance with GAAP to their most applicable GAAP measure.

The improvement in the loss ratio versus the prior year was driven by an improvement in the current accident year loss ratio, excluding catastrophe losses and a reduction in prior year development related to the net impact of the LPT, partially offset by an increase in catastrophe losses. The improvement in the current accident year loss ratio, excluding catastrophe losses was driven by changing mix of business, including the continued run-off of exited business, which historically had higher loss ratios. Our 2021 results include $16.1 million net incurred losses and LAE related to the LPT, comprised of $28.0 million of reserve strengthening offset by $11.9 million of reinsurance recoveries. Our 2020 results include $59.8 million of net incurred losses and LAE related to the net impact of the LPT, comprised of (i) $43.5 million of expense to enter into the LPT and (ii) $49.0 million attributable to strengthening our reserves subject to the LPT, partially offset by $32.7 million of reinsurance recoveries under the LPT. The adjusted loss ratio was 67.7% for the year ended December 31, 2021 compared to 70.0% for the year ended December 31, 2020. The improvement in the adjusted loss ratio versus the prior year was driven by an improvement in the current accident year loss ratio, excluding catastrophe losses, partially offset by an increase in catastrophe losses.

Expense Ratio

The expense ratio was 26.9% for the year ended December 31, 2021 compared to 26.4% for the year ended December 31, 2020. The following table summarizes the components of the expense ratio for the years ended December 31, 2021 and 2020:

	For the years ended December 31,			
	2021		2020	
($ in thousands)	Expenses	% of Net Earned Premiums	Expenses	% of Net Earned Premiums
Net policy acquisition expenses	$ 47,061	9.4%	$ 36,971	8.6%
Other operating and general expenses	91,437	18.3%	82,847	19.2%
Underwriting, acquisition and insurance expenses	138,498	27.7%	119,818	27.7%
Commission and fee income	(3,973)	(0.8)%	(5,664)	(1.3)%
Total net expenses	**$ 134,525**	**26.9%**	**$ 114,154**	**26.4%**

The increase in the expense ratio for the year was primarily driven by changes in our mix of business, with an increase in underwriting, acquisition, and insurance expenses combined with a decline in commission and fee income (which is netted against other underwriting expenses in the calculation of expense ratio).

Combined Ratio

The combined ratio was 97.8% for the year ended December 31, 2021, compared to 110.3% for the year ended December 31, 2020. The adjusted combined ratio was 94.6% for the year ended December 31, 2021, compared to 96.4% for the year ended December 31, 2020.

Investing Results

The following table summarizes the components of net investment income and net investment gains for the years ended December 31, 2021 and 2020:

	For the years ended December 31,					
	2021		2020			
($ in thousands)	Net Investment Income	Net Yield	Net Investment Income	Net Yield	$ Change	% Change
Cash and Short-term Investments	$ 224	0.1%	$ 1,211	0.4%	$ (987)	(81.5)%
Core Fixed Income	9,071	2.3%	6,770	2.4%	2,301	34.0%
Opportunistic Fixed Income	12,571	8.6%	5,492	4.7%	7,079	128.9%
Equities	2,780	2.3%	657	0.7%	2,123	323.1%
Net investment income	**$ 24,646**	**2.7%**	**$ 14,130**	**1.8%**	**$ 10,516**	**74.4%**
Net unrealized gains (losses)	$ 15,251		$ (928)		$ 16,179	NM
Net realized investment gains	$ 1,856		$ 1,067		$ 789	73.9%

Net investment income was $24.6 million for the year ended December 31, 2021, compared to $14.1 million for the year ended December 31, 2020. The primary driver for the increase in net investment income was the deployment of cash flow from operations and reinvestment of our cash and short-term investment portfolio into higher yielding investments within our Core Fixed Income, Opportunistic Fixed Income and Equities portfolios. In addition, we recognized $7.5 million of income within our Opportunistic Fixed Income portfolio due to market appreciation of limited partnerships during the year ended December 31, 2021, compared to $3.6 million during the year ended December 31, 2020. Limited partnership income primarily reflects increases in reported net asset values during the year. Until these asset values are monetized and the resultant income is distributed, they are subject to future increases or decreases in asset

value. Our investment portfolio had a net investment yield of 2.7% for the year ended December 31, 2021, compared to 1.8% for the year ended December 31, 2020.

Net unrealized gains were $15.3 million for the year ended December 31, 2021 compared to net unrealized losses of $0.9 million for the year ended December 31, 2020. The primary reason for the increase was market appreciation of common equity investments.

Net realized gains were $1.9 million for the year ended December 31, 2021, compared to $1.1 million for the year ended December 31, 2020.

Impairment Charges

Impairment charges were $2.8 million for the year ended December 31, 2021, compared to $57.6 million for the year ended December 31, 2020. The charge in 2021 was primarily due to the write-off of goodwill related to our exited title agent professional liability insurance business. The $57.6 million impairment charge during 2020 is primarily comprised of goodwill impairment charges of $38.0 million within our Accident & Health underwriting division, $10.4 million within our exited business, and $9.2 million within our Programs underwriting division.

Other Income and Expenses

Other income was $4.6 million for the year ended December 31, 2021 compared to $0.1 million for the year ended December 31, 2020. The $4.5 million increase was driven by gains on the sales of affiliated entities during 2021.

Amortization Expense

Amortization expense related to intangible assets was $1.5 million for the year ended December 31, 2021 compared to $1.4 million for the year ended December 31, 2020.

Interest Expense

Interest expense was $4.6 million for the year ended December 31, 2021, compared to $5.5 million for the year ended December 31, 2020. The $0.9 million decrease was driven by a decrease in floating interest rates applicable to our term loan and debentures during 2021.

Income Tax Expense (Benefit)

Income tax expense was $10.0 million for the year ended December 31, 2021 compared to a benefit of $19.9 million for the year ended December 31, 2020. Our effective tax rate was 20.7% for the year ended December 31, 2021, compared to 21.0% for the year ended December 31, 2020.

Reconciliation of Non-GAAP Financial Measures

Adjusted Operating Income (Loss)

We define adjusted operating income (loss) as net income (loss) excluding the impact of certain items that may not be indicative of underlying business trends, operating results, or future outlook, net of tax impact. We use adjusted operating income as an internal performance measure in the management of our operations because we believe it gives our management and other users of our financial information useful insight into our results of operations and our underlying business performance. Adjusted operating income (loss) should not be viewed as a substitute for net income (loss) calculated in accordance with GAAP, and other companies may define adjusted operating income differently.

Adjusted operating income for the nine months ended September 30, 2022 and 2021 reconciles to net income (loss) as follows:

	For the nine months ended September 30,			
	2022		2021	
($ in thousands)	Before income taxes	After income taxes	Before income taxes	After income taxes
Income (loss) as reported	$ 23,819	$ 18,977	$ 46,673	$ 37,002
Less:				
Net impact of loss portfolio transfer	(9,271)	(7,324)	—	—
Net investment gains (losses)	(26,117)	(20,632)	10,021	7,917
Impairment charges	—	—	(2,821)	(2,229)
Other income and (expenses)	—	—	3,560	2,812
Adjusted operating income	**$ 59,207**	**$ 46,934**	**$ 35,913**	**$ 28,502**

Adjusted operating income for the year ended December 31, 2021 and 2020 reconciles to net income (loss) as follows:

	For the years ended December 31,			
	2021		2020	
($ in thousands)	Before income taxes	After income taxes	Before income taxes	After income taxes
Income (loss) as reported	$ 48,309	$ 38,317	$(94,532)	$(74,642)
Less:				
Net impact of loss portfolio transfer	(16,063)	(12,690)	(59,797)	(47,240)
Net investment gains (losses)	17,107	13,514	139	110
Impairment charges	(2,821)	(2,229)	(57,582)	(45,490)
Net realized gain on sale of business	5,077	4,011	—	—
Other operating (loss) income	(445)	(352)	128	101
Adjusted operating income	**$ 45,454**	**$ 36,062**	**$ 22,580**	**$ 17,876**

Underwriting income (loss)

We define underwriting income (loss) as net income (loss) before income taxes excluding net investment income, net realized and unrealized gains and losses on investments, impairment charges, interest expense, amortization expense and other income and expenses. Underwriting income (loss) represents the pre-tax profitability of our underwriting operations and allows us to evaluate our underwriting performance without regard to investment income. We use this metric as we believe it gives our management and other users of our financial information useful insight into our underlying business performance. Underwriting income (loss) should not be viewed as a substitute for pre-tax income (loss) calculated in accordance with GAAP, and other companies may define underwriting income (loss) differently.

Underwriting income (loss) for the nine months ended September 30, 2022 and 2021 reconciles to income (loss) before federal income tax as follows:

	For the nine months ended September 30,	
($ in thousands)	**2022**	**2021**
Income (loss) before federal income tax	$ 23,819	$ 46,673
Add:		
Interest expense	4,280	3,465
Amortization expense	1,160	1,134
Less:		
Net investment income	31,667	20,616
Net investment (losses) gains	(26,117)	10,021
Impairment charges	—	(2,821)
Other income and (expenses)	—	3,560
Underwriting income (loss)	**$ 23,709**	**$ 19,896**

Underwriting income (loss) for the years ended December 31, 2021 and 2020 reconciles to income (loss) before federal income tax as follows:

	For the years ended December 31,	
($ in thousands)	**2021**	**2020**
Income (loss) before federal income tax	$48,309	$ (94,532)
Add:		
Interest expense	4,622	5,532
Amortization expense	1,520	1,390
Less:		
Net investment income	24,646	14,130
Net investment gains	17,107	139
Impairment charges	(2,821)	(57,582)
Net realized gain on sale of business	5,077	—
Other operating (loss) income	(445)	128
Underwriting income (loss)	**$10,887**	**$ (44,425)**

Adjusted Loss Ratio / Adjusted Combined Ratio

We define adjusted loss ratio and adjusted combined ratio as the corresponding ratio (calculated in accordance with GAAP), excluding losses and LAE related to the LPT and all development on reserves fully or partially covered by the LPT. We use these adjusted ratios as internal performance measures in the management of our operations because we believe they give our management and other users of our financial information useful insight into our results of operations and our underlying business performance. Our adjusted loss ratio and adjusted combined ratio should not be viewed as substitutes for our loss ratio and combined ratio, respectively.

Adjusted loss ratio and adjusted combined ratio for the nine months ended September 30, 2022 and 2021 reconcile to loss ratio and combined ratio as follows:

	For the nine months ended September 30,	
($ in thousands)	**2022**	**2021**
Net earned premiums	$445,851	$366,052
Losses and LAE	293,536	249,828
Less: Pre-tax net impact of loss portfolio transfer	9,271	—
Adjusted losses and LAE	284,265	249,828
Loss ratio	65.9%	68.3%
Less: Net impact of LPT	2.1%	0.0%
Adjusted Loss Ratio	**63.8%**	**68.3%**
Combined ratio	**94.7%**	**94.6%**
Less: Net impact of LPT	2.1%	0.0%
Adjusted Combined Ratio	**92.6%**	**94.6%**

Adjusted loss ratio and adjusted combined ratio for the years ended December 31, 2021 and 2020 reconcile to loss ratio and combined ratio as follows:

	For the years ended December 31,	
($ in thousands)	**2021**	**2020**
Net earned premiums	$ 499,823	$ 431,911
Losses and LAE	354,411	362,182
Less: Pre-tax net impact of loss portfolio transfer	16,063	59,797
Adjusted losses and LAE	338,348	302,385
Loss ratio	70.9%	83.9%
Less: Net impact of LPT	3.2%	13.8%
Adjusted Loss Ratio	**67.7%**	**70.0%**
Combined ratio	**97.8%**	**110.3%**
Less: Net impact of LPT	3.2%	13.8%
Adjusted Combined Ratio	**94.6%**	**96.4%**

Tangible Stockholders' Equity

We define tangible stockholders' equity as stockholders' equity, plus any temporary equity, less goodwill and intangible assets. Our definition of tangible stockholders' equity may not be comparable to that of other companies and should not be viewed as a substitute for stockholders' equity calculated in accordance with GAAP. We use tangible stockholders' equity internally to evaluate the strength of our balance sheet and to compare returns relative to this measure.

Tangible stockholders' equity as of September 30, 2022, December 31, 2021 and December 31, 2020 reconciles to stockholders' equity as follows:

($ in thousands)	September 30, 2022	December 31, 2021	December 31, 2020
Stockholders' equity	$399,817	$426,080	$303,222
Plus: Temporary Equity	—	—	90,303
Less: Goodwill and intangible assets	90,237	91,336	84,014
Tangible stockholders' equity	**$309,580**	**$334,744**	**$309,511**

Adjusted Return on Equity

We define adjusted return on equity as adjusted operating income expressed as a percentage of average beginning and ending stockholders' equity, plus any temporary equity, during the period. We use adjusted return on equity as an internal performance measure in the management of our operations because we believe it gives our management and other users of our financial information useful insight into our results of operations and our underlying business performance. Adjusted return on equity should not be viewed as a substitute for return on equity calculated in accordance with GAAP, and other companies may define adjusted return on equity differently.

Adjusted return on equity for the nine months ended September 30, 2022 and 2021 reconciles to return on equity as follows:

($ in thousands)	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
Numerator: adjusted operating income	$ 46,934	$ 28,502
Denominator: average stockholders' equity including temporary equity	412,949	410,896
Adjusted return on equity[(1)]	**15.2%**	**9.2%**

(1) Adjusted return on equity is calculated on an annualized basis by multiplying the results for the first nine months by a factor of 1.334.

Adjusted return on equity for the years ended December 31, 2021 and 2020 reconciles to return on equity as follows:

($ in thousands)	For the years ended December 31, 2021	For the years ended December 31, 2020
Numerator: adjusted operating income	$ 36,062	$ 17,876
Denominator: average stockholders' equity including temporary equity	409,803	382,666
Adjusted return on equity	**8.8%**	**4.7%**

Return on Tangible Equity

We define return on tangible equity as net income as a percentage of average beginning and ending tangible stockholders' equity during the period. We use return on tangible equity as an internal performance measure in the management of our operations because we believe it gives our management and other users of our financial information useful insight into our results of operations and our underlying business performance. Return on tangible equity should not be viewed as a substitute for return on equity calculated in accordance with GAAP, and other companies may define return on tangible equity differently.

Return on tangible equity for the nine months ended September 30, 2022 and 2021 reconciles to return on equity as follows:

($ in thousands)	For the nine months ended September 30, 2022	2021
Numerator: net income (loss)	$ 18,977	$ 37,002
Denominator: average tangible stockholders' equity	322,162	322,102
Return on tangible equity[1]	**7.9%**	**15.3%**

(1) Return on tangible equity is calculated on an annualized basis by multiplying the results for the first nine months by a factor of 1.334.

Return on tangible equity for the years ended December 31, 2021 and 2020 reconciles to return on equity as follows:

($ in thousands)	For the years ended December 31, 2021	2020
Numerator: net income (loss)	$ 38,317	$ (74,642)
Denominator: average tangible stockholders' equity	322,128	269,206
Return on tangible equity	**11.9%**	**(27.7)%**

Adjusted Return on Tangible Equity

We define adjusted return on tangible equity as adjusted operating income as a percentage of average beginning and ending tangible stockholders' equity during the period. We use adjusted return on tangible equity as an internal performance measure in the management of our operations because we believe it gives our management and other users of our financial information useful insight into our results of operations and our underlying business performance. Adjusted return on tangible equity should not be viewed as a substitute for return on equity calculated in accordance with GAAP, and other companies may define adjusted return on tangible equity differently.

Adjusted return on tangible equity for the nine months ended September 30, 2022 and 2021 reconciles to return on equity as follows:

($ in thousands)	For the nine months ended September 30, 2022	2021
Numerator: adjusted operating income	$ 46,934	$ 28,502
Denominator: average tangible stockholders' equity	322,162	322,102
Adjusted return on tangible equity[1]	**19.4%**	**11.8%**

(1) Adjusted return on tangible equity is calculated on an annualized basis by multiplying the results for the first nine months by a factor of 1.334.

Adjusted return on tangible equity for the years ended December 31, 2021 and 2020 reconciles to return on equity as follows:

($ in thousands)	For the years ended December 31, 2021	2020
Numerator: adjusted operating income	$ 36,062	$ 17,876
Denominator: average tangible stockholders' equity	322,128	269,206
Adjusted return on tangible equity	**11.2%**	**6.6%**

Liquidity and Capital Resources

Sources and Uses of Funds

We are organized as a holding company with our operations primarily conducted by our wholly-owned insurance subsidiaries, HSIC, IIC, and GMIC, which are domiciled in Texas, and OSIC, which is domiciled in Oklahoma. Accordingly, the holding company may receive cash through (1) corporate service fees from our operating subsidiaries, (2) payments pursuant to our consolidated tax allocation agreement, (3) dividends from our subsidiaries, subject to certain limitations discussed below regarding dividends from our insurance subsidiaries, (4) loans from banks, (5) draws on a revolving loan agreement, and (6) issuance of equity and debt securities. We also may use the proceeds from these sources to contribute funds to insurance subsidiaries in order to support premium growth, pay dividends and taxes and for other business purposes.

Skyward Service Company receives corporate service fees from the operating subsidiaries to reimburse it for most of the operating expenses that it incurs. Reimbursement of expenses through corporate service fees is based on the actual costs that we expect to incur with no mark-up above our expected costs.

We file a consolidated U.S. federal income tax return with our subsidiaries, and under our corporate tax allocation agreement, each participant is charged or refunded taxes according to the amount that the participant would have paid or received had it filed on a separate return basis with the Internal Revenue Service (the "IRS").

Applicable state insurance laws restrict the ability of the insurance subsidiaries to declare stockholder dividends without prior regulatory approval. Applicable state insurance regulators require insurance companies to maintain specified levels of statutory capital and surplus. Dividend payments are further limited to that part of available policyholder surplus which is derived from net profits on an insurer's business.

Insurance regulators have broad powers to prevent reduction of statutory surplus to inadequate levels, and there is no assurance that dividends of the maximum amounts calculated under any applicable formula would be permitted. State insurance regulatory authorities that have jurisdiction over the payment of dividends by our insurance subsidiaries may in the future adopt statutory provisions more restrictive than those currently in effect. Our insurance subsidiaries did not pay dividends to us for the years ended December 31, 2021 or 2020.

As of September 30, 2022, our holding company had $9.3 million in cash and investments, compared to $5.8 million as of December 31, 2021 and $12.6 million as of December 31, 2020.

We believe that we have sufficient liquidity available to meet our operating cash needs and obligations and committed capital expenditures for the next 12 months.

Cash Flows

Our most significant source of cash is from premiums received from our insureds, which, for most policies, we receive at the beginning of the coverage period, net of the related commission amount for the policies. Our most significant cash outflow is for claims that arise when a policyholder incurs an insured loss. Because the payment of claims occurs after the receipt of the premium, often years later, we invest the cash in various investment securities that generally earn interest and dividends. We also use cash to pay for operating expenses such as salaries, rent and taxes and capital expenditures such as technology systems. As described under "— Reinsurance" below, we use reinsurance to manage the risk that we take on our policies. We cede, or pay

out, part of the premiums we receive to our reinsurers and collect cash back when losses subject to our reinsurance coverage are paid.

The timing of our cash flows from operating activities can vary among periods due to the timing by which payments are made or received. Some of our payments and receipts, including loss settlements and subsequent reinsurance receipts, can be significant, and as a result their timing can influence cash flows from operating activities in any given period. Management believes that cash receipts from premiums and proceeds from investment income are sufficient to cover cash outflows in the foreseeable future

Our cash flows for the nine months ended September 30, 2022 and 2021 were:

	For the nine months ended September 30,	
($ in thousands)	**2022**	**2021**
Cash and cash equivalents provided by (used in):		
Operating activities	$ 124,913	$ 137,244
Investing activities	(128,281)	(160,725)
Financing activities	2,180	1,380
Change in cash and cash equivalents	**$ (1,188)**	**$ (22,101)**

The increase in cash provided by operating activities the nine months ended September 30, 2022 and 2021 was due primarily to the timing of premium receipts, claim payments and reinsurance activity. Cash flows from operations were used primarily to fund investing activities.

For the nine months ended September 30, 2022, net cash used in investing activities was $128.3 million, a decrease of $32.4 million from the nine months ended September 30, 2021. Cash used in investing activities was funded by cash provided by operating activities.

For the nine months ended September 30, 2022, net cash provided by financing activities was $2.2 million, compared to net cash provided by financing activities of $1.4 million for the nine months ended September 30, 2021.

Our cash flows for the years ended December 31, 2021 and 2020 were:

	For the years ended December 31,	
($ in thousands)	**2021**	**2020**
Cash and cash equivalents provided by (used in):		
Operating activities	$ 175,285	$ 44,709
Investing activities	(183,014)	(74,934)
Financing activities	1,380	56,301
Change in cash and cash equivalents	**$ (6,349)**	**$ 26,076**

The increase in cash provided by operating activities in 2021 and 2020 was due primarily to the timing of premium receipts, claim payments and reinsurance activity, including funding the LPT during 2020. Cash flows from operations in each of the past two years were used primarily to fund investing activities.

For the year ended December 31, 2021, net cash used in investing activities was $183.0 million, an increase of $108.1 million from 2020 due to the investment of cash provided by operating activities.

For the year ended December 31, 2021, net cash provided by financing activities was $1.4 million. For the year ended December 31, 2020, net cash provided by financing activities was $56.3 million driven by the receipt of $90.4 million of net proceeds from the completion of our private preferred share rights offering on April 24, 2020, partially offset by the repayment of $33.8 million on our revolving line of credit.

Credit Agreements

On December 11, 2019, we entered into a credit agreement with Prosperity Bank which provided us with a $50.0 million term loan (the "Term Loan") and a $50.0 million revolving line of credit (the "Revolver") with additional capacity up to $75.0 million.

The Term Loan

The interest rate on the Term Loan is the lesser of the one-month LIBOR (3.14% on September 30, 2022) plus the "Applicable Margin," which is defined as 1.65%, or the Highest Lawful Rate. The "Highest Lawful Rate" is defined as the lesser of (a) (i) the "weekly ceiling" as defined within Section 303.003 of the Texas Finance code, as amended or (ii) the "annualized ceiling" as defined within Section 303.103 of the Texas Finance Code, as amended and (b) (i) 24% if the principal is less than $250 thousand or (ii) 28% if the principal is greater than $250 thousand. Interest-only payments are due and payable on a quarterly basis through December 31, 2024. As of September 30, 2022 the principal balance on the Term Loan was $50.0 million, which is due December 31, 2024.

The Revolver

The interest rate on the Revolver is the lesser of the Prime Rate (4.75% on September 30, 2022) or the one-month LIBOR (3.14% on September 30. 2022) plus the Applicable Margin, which is defined as the lesser of 1.65%, or the Highest Lawful Rate. The revolving promissory note includes a fee of 0.25% on the unused portion. Interest-only payments are due and payable on a quarterly basis through December 31, 2024. As of September 30, 2022, there was no outstanding balance on the Revolver compared to a contractual capacity of $50.0 million. Subject to lender approval, we have a right to increase the capacity to $75.0 million.

Borrowings under the Term Loan and Revolver may be used to refinance debt and general corporate purposes.

Included in the Credit Agreement is a provision that allows for us to issue up to $20.0 million of letters of credit ("LOCs"). Any amounts drawn on the LOCs must either be repaid, or the balance constitutes additional borrowings under the Revolver. As of September 30, 2022, there were no LOCs issued.

Trust Preferred

In August 2006, we received $58.0 million of proceeds from a debenture offering through a statutory trust, Delos Capital Trust (the "Trust"). The sole asset of the Trust consists of Fixed/Floating Rate Junior Subordinated Deferrable Interest Debentures (the "Trust Preferred") with a principal amount of $59.8 million issued by us and cash of $1.8 million from the issuance of Trust common shares purchased by us equal to 3% of the Trust capitalization. The Trust Preferred are an unsecured obligation, are redeemable on or after September 15, 2011, and have a maturity date of September 15, 2036. Interest on the Trust Preferred is payable quarterly at an annual rate based on the three-month LIBOR (3.75% on September 30, 2022), plus 3.4%.

Subordinated Debt

In May 2019, we issued unsecured subordinated notes (the "Notes") with an aggregate principal amount of $20.0 million. Interest on the subordinated notes is 7.25% fixed for the first 8 years and 8.25% fixed thereafter. Early retirement of the debt ahead of the eight (8) year commitment requires all interest payments to be paid in full, as well as the return of all capital. Principal payment is due at maturity on May 24, 2039 and interest is payable quarterly.

At September 30, 2022, December 31, 2021 and December 31, 2020, the ratio of total debt outstanding, including the Term Loan, the Revolver, the Trust Preferred and the Notes, to total capitalization (defined as total debt plus stockholders' equity, plus any temporary equity) was 24.3%, 23.2% and 24.6%, respectively. We believe that having debt as part of our capital structure reduces our blended cost of capital and allows us to generate a higher return on equity and return on tangible equity and generates a higher growth rate of our book value per share than we could by using equity capital alone.

Reinsurance

We strategically purchase reinsurance from third parties which enhances our business by protecting capital from severity events (either large single event losses or catastrophes) and reducing volatility in our earnings. Our reinsurance contracts are predominantly one year in length and renew annually throughout the year, primarily in January and June. At each annual renewal, we consider several factors that influence any changes to our reinsurance purchases, including any plans to change the underlying insurance coverage we offer, updated loss activity, the level of our capital and surplus, changes in our risk appetite and the cost and availability of reinsurance treaties.

We purchase quota share reinsurance, excess of loss reinsurance, and facultative reinsurance coverage to limit our exposure from losses on any one occurrence. The mix of reinsurance purchased considers efficiency, cost, our risk appetite and specific factors of the underlying risks we underwrite.

- ***Quota share reinsurance*** refers to a reinsurance contract whereby the reinsurer agrees to assume a specified percentage of the ceding company's losses arising out of a defined class of business in exchange for a corresponding percentage of premiums, net of a ceding commission.
- ***Excess of loss reinsurance*** refers to a reinsurance contract whereby the reinsurer agrees to assume all or a portion of the ceding company's losses for an individual claim or an event in excess of a specified amount in exchange for a premium payable amount negotiated between the parties. This definition includes our catastrophe reinsurance program.
- ***Facultative coverage*** refers to a reinsurance contract on individual risks as opposed to a group or class of business. It is used for a variety of reasons, including supplementing the limits provided by the treaty coverage or covering risks or perils excluded from treaty reinsurance.

For the years ended December 31, 2021 and 2020, our net retention on a written basis (calculated as net written premiums as a percentage of gross written premiums) was 56.3% and 52.8%, respectively.

The following is a summary of our reinsurance programs as of September 30, 2022:

Line of Business	Maximum Company Retention
Accident & Health	$0.75 million per occurrence
Commercial Auto[(1)]	$1.0 million per occurrence
Excess Casualty[(1)(2)]	$2.35 million per occurrence
General Liability[(1)]	$2.0 million per occurrence
Professional Lines[(2)]	$2.4 million per occurrence
Property[(3)]	$2.0 million per occurrence
Surety[(2)]	$3.0 million per occurrence
Workers' Compensation[(2)]	$1.55 million per occurrence

(1) Legal defense expenses can force exposure above the maximum company retention for Excess Casualty, Commercial Auto and General Liability.

(2) Reinsurance is subject to a loss ratio cap or aggregate level of loss cover that exceeds a modeled 1:250-year PML event.

(3) Catastrophe loss protection is purchased up to $25.0 million in excess of $10.0 million retention, which provides cover for a 1:250-year PML event.

We use quota share reinsurance principally related to our Global Property, Captives and Accident & Health underwriting divisions. Quota share is also used within our Programs underwriting division for property lines. For the year ended December 31, 2021 and 2020, quota share reinsurance ceded premiums as a percentage of total gross written premiums were 28.3% and 32.7%, respectively. Facultative reinsurance is principally used in our Global Property division and the Specialty Trucking unit of our Industry Solutions divisions. For the year ended December 31, 2021 and 2020, facultative reinsurance ceded premiums as a percentage of total gross written premiums were 11.9% and 11.3%, respectively.

For the year ended December 31, 2021, property insurance represented 20.2% of our gross written premiums. We actively manage and continuously monitor our aggregation of property writings by geographic area to limit our potential for aggregation of loss resulting from severe events such as hurricanes, convective storms, and earthquakes. We buy catastrophe reinsurance to further mitigate an aggregation of property losses due to a single event or series of events. To inform our purchase of catastrophe reinsurance, we use third-party stochastic and our own deterministic models to analyze the risk of aggregation of losses from such events. These models provide a quantitative view of PML events, which is an estimate of the level of loss we would expect to experience once in a given number of years (referred to as the return period). Based upon our modeling, it would take an event beyond our 1 in 250-year PML to exhaust our $25.0 million property catastrophe coverage. Additionally, we seek to expose no more than 3.0% of our stockholders' equity to a catastrophic loss that is less than a 1 in 250-year event. We believe our current reinsurance program provides coverage well in excess of our theoretical losses from any recorded historical event.

In the event of a catastrophe that impacts our reinsurance contracts, a portion of our reinsurance program includes the right to pay additional premium to reinstate reinsurance limits for potential future recoveries during the same contract year and preserve our limit for subsequent events. This payment for subsequent event coverage is known as a "reinstatement."

We seek to purchase reinsurance from reinsurers that are rated at least "A-" ("Excellent") or better by A.M. Best. As of September 30, 2022, 98% of our reinsurance recoverables were either derived from reinsurers rated "A-" (Excellent) by A.M. Best, or better, or were collateralized for our reinsurance recoverable by the reinsurer. While we only select reinsurers whom we believe to have acceptable credit and A.M. Best ratings, if our reinsurers are unable to pay the claims for which they are responsible, we ultimately retain primary liability to our policyholders. Hence, failure of the reinsurer to honor its obligations could result in losses to us, and therefore, we establish allowances for amounts considered uncollectible. At September 30, 2022 and December 31, 2021 and 2020, there was no allowance for uncollectible reinsurance.

Ratings

Skyward Specialty and its insurance subsidiaries have a financial strength rating of "A-" (Excellent) with a stable outlook from A.M. Best, which rates insurance companies based on factors of concern for policyholders. A.M. Best assigns 16 ratings to insurance companies, which currently range from "A++" (Superior) to "F" (In Liquidation). The "A-" (Excellent) rating is assigned to insurers that have, in A.M. Best's opinion, an excellent ability to meet their ongoing obligations to policyholders. This rating is intended to provide an independent opinion of an insurer's ability to meet its obligation to policyholders and is not an evaluation directed at investors. See also the section entitled "Risk Factors — Risks Related to Our Business — A decline in our financial strength rating may adversely affect the amount of business we write" for a discussion of the potential impact of changes to our financial strength rating.

The group financial strength ratings assigned by A.M. Best have an impact on the ability of the insurance subsidiaries to attract and retain our distribution partners and on the risk profiles of the submissions for insurance that the insurance subsidiaries receive. The "A-" (Excellent) rating was affirmed by A.M. Best on September 30, 2022 and is consistent with our business plan and allows us to actively pursue relationships with our distribution partners.

Contractual Obligations and Commitments

The following table illustrates our contractual obligations and commercial commitments by due date as of December 31, 2021:

	Payments due by period		
($ in thousands)	**Total**	**Less Than One Year**	**One Year or More**
Reserves for losses and LAE	$ 979,549	$345,563	$633,986
Long-term debt	129,794	—	129,794
Interest on debt obligations	61,579	4,427	57,152
Operating lease obligations	11,966	2,395	9,571
Total	**$1,182,888**	**$352,385**	**$830,503**

Reserves for losses and LAE represent our best estimate of the ultimate cost of settling reported and unreported claims and related expenses. Estimating reserves for losses and LAE is based on various complex and subjective judgments. Actual losses and settlement expenses paid may deviate, perhaps substantially, from the reserve estimates reflected in our financial statements. Similarly, the timing for payment of our estimated losses is not fixed and is not determinable on an individual or aggregate basis. The assumptions used in estimating the payments due by period are based on our own, industry and peer group claims payment experience. Due to the uncertainty inherent in the process of estimating the timing of such payments, there is a risk that the amounts paid in any period will be significantly different than the amounts disclosed above. Amounts disclosed above are gross of anticipated amounts recoverable from reinsurers. Reinsurance balances recoverable on reserves for losses and LAE are reported separately as assets, instead of being netted with the related liabilities, since reinsurance does not discharge us of our liability to policyholders. Reinsurance balances recoverable on reserves for paid and unpaid losses and LAE totaled 542.9 million, $536.3 million and $538.9 million at September 30, 2022, December 31, 2021 and December 31, 2020, respectively.

Financial Condition

Stockholders' Equity

At September 30, 2022, stockholders' equity was $399.8 million and tangible stockholders' equity was $309.6 million, compared to stockholders' equity of $426.1 million and tangible stockholders' equity of $334.7 million at December 31, 2021. The decrease in both stockholders' equity and tangible stockholders' equity was primarily due to the net increase in unrealized losses of $48.9 million related to available-for-sale securities, net of taxes, partially offset by net income earned for the nine months ended September 30, 2022 of $19.0 million and a reduction of stock notes receivable of $2.1 million.

At December 31, 2021, stockholders' equity was $426.1 million and tangible stockholders' equity was $334.7 million. At December 31, 2020, stockholders' equity (including temporary equity of $90.3 million) was $393.5 million and tangible stockholders' equity (including temporary equity) was $309.5 million. Temporary equity of $90.3 million at December 31, 2020 resulted from a private preferred share rights offering completed on April 24, 2020, which preferred shares conversion rate was contingently adjustable in the future and there was no contractual limit on the number of common shares that could be issued. As of December 31, 2021, temporary equity has been reclassified into stockholders' equity as a result of the conversion rate becoming fixed and the preferred shares becoming convertible into a fixed number of common shares as of such date. For a detailed discussion of temporary equity and the preferred share rights offering, see the "Notes to Consolidated Financial Statements" included elsewhere in this prospectus. The increase in both stockholders' equity and tangible stockholders' equity was primarily due to net income earned for the year ended December 31, 2021 of $38.3 million, partially offset by the net increase in unrealized losses of $7.6 million related to available-for-sale securities, net of taxes. See "— Reconciliation of Non-GAAP Financial Measures" for a reconciliation of tangible stockholders' equity to stockholders' equity, which is the most directly comparable financial metric prepared in accordance with GAAP.

Dividend declarations

We did not declare any dividends during the nine months ended September 30, 2022 or in the years ended December 31, 2021 and 2020.

Investment portfolio

The following table summarizes the components of our total investments and cash as of and for the periods ended September 30, 2022 and December 31, 2021:

	For the nine months ended September 30, 2022			For the year ended December 31, 2021		
($ in thousands)	Fair value	% of total	Net Yield	Fair value	% of total	Net Yield
Cash and Short-term Investments	$ 135,966	13.0%	0.5%	$207,024	20.9%	0.0%
Core Fixed Income	562,573	53.6%	2.6%	458,351	46.2%	2.2%
Opportunistic Fixed Income	202,138	19.3%	13.8%	168,058	17.0%	11.2%
Equities	147,935	14.1%	1.1%	158,033	15.9%	3.4%
Total Investments and Cash	**$1,048,612**	**100.0%**	**4.0%**	**$991,466**	**100.0%**	**3.1%**

Cash & Short-term Investments

The Cash & Short-term Investments portfolio consists of cash, cash equivalents, money market funds and other highly liquid (less than one year duration) short-term investments. We expect that the Cash & Short-term Investment portfolio will decrease as funds are deployed in accordance with our investment strategy.

Core Fixed Income

The Core Fixed Income portfolio consists primarily of investment grade fixed income securities which are predominantly highly- rated and liquid bonds. Our objective in the Core Fixed Income portfolio is to earn attractive risk-adjusted returns with a low risk of loss of principal. The Core Fixed Income portfolio is managed by third party managers. The average duration of the Core Fixed Income portfolio is approximately 4.4 years and 4.3 years as of September 30, 2022 and December 31, 2021, respectively. The weighted average credit rating of the portfolio was “AA” by Standard & Poor’s Financial Services, LLC (“Standard & Poor’s”) as of both September 30, 2022 and December 31, 2021:

	September 30, 2022		December 31, 2021	
($ in thousands)	Fair value	% of total fair value	Fair value	% of total fair value
U.S. government securities	43,258	7.7%	49,263	10.7%
Corporate securities and miscellaneous	218,236	38.8%	154,163	33.6%
Municipal securities	59,402	10.6%	56,942	12.4%
Residential mortgage-backed securities	104,395	18.6%	103,735	22.6%
Commercial mortgage-backed securities	35,594	6.3%	14,484	3.2%
Asset-backed securities	101,688	18.1%	79,764	17.4%
Core Fixed Income securities, available for sale	**562,573**	**100.0%**	**458,351**	**100.0%**

The table below summarizes the credit quality of our Core Fixed Income portfolio as of September 30, 2022 and December 31, 2021, as rated by Standard & Poor's or equivalent designation:

	September 30, 2022		December 31, 2021	
($ in thousands)	Fair value	% of total	Fair value	% of total
AAA	$257,953	45.9%	$223,404	48.7%
AA	75,313	13.4%	67,157	14.7%
A	116,598	20.7%	87,337	19.1%
BBB	88,343	15.7%	76,835	16.8%
BB and Lower	24,366	4.3%	3,618	0.8%
Total Core Fixed Income	**$562,573**	**100.0%**	**$458,351**	**100.0%**

Opportunistic Fixed Income

The Opportunistic Fixed Income portfolio consists of separately managed accounts, limited partnerships, promissory notes and equity interests. The underlying securities held are primarily floating rate senior secured loans, comprised of short duration, collateralized, asset-oriented credit investments designed to generate attractive risk-adjusted returns. Investments are backed by a significant amount of collateral and contain strong covenants with a typical loan-to-value of 60% or better. The limited partnerships are subject to future increases or decreases in asset value and may exhibit volatile results as asset values are monetized and the resultant income is distributed. The Opportunistic Fixed Income portfolio is managed by Arena Investors, LP ("Arena"), an investment manager for multiple insurance companies, which is affiliated with Westaim, our largest shareholder at the time of this offering. The average duration of the Opportunistic Fixed Income portfolio is approximately 1.4 years and 1.5 years as of September 30, 2022 and December 31, 2021, respectively. As of September 30, 2022, the Opportunistic Fixed Income portfolio consisted of three components: diversified asset based lending (51.9%), commercial mortgage loans (25.8%) and cash and cash equivalents (22.3%). The diversified asset based lending portfolio consists of primarily floating rate senior secured asset-based loans with significant amount of collateral and strong covenants. The commercial mortgage loan portfolio consists of primarily short term first lien commercial mortgage loans. Our opportunistic fixed income portfolio typically includes a sizable amount of cash and cash equivalents. Given the short duration nature of the portfolio, loans frequently mature or borrowers prepay resulting in cash flow back to our portfolio which gets redeployed into new investment opportunities.

The following table summarizes the components of our Opportunistic Fixed Income portfolio by industry sector as of September 30, 2022 and December 31, 2021.

	September 30, 2022		December 31, 2021	
($ in thousands)	Fair Value	% of Total	Fair Value	% of Total
Real Estate	$ 90,935	45.0%	$ 75,305	44.8%
Oil & Gas	22,522	11.1%	20,321	12.1%
Banking, Finance & Insurance	14,301	7.1%	13,683	8.1%
Other Sectors[(1)]	29,271	14.5%	16,936	10.1%
Cash and Cash Equivalents[(2)]	45,109	22.3%	41,813	24.9%
Opportunistic Fixed Income	**$202,138**	**100.0%**	**$168,058**	**100.0%**

(1) Other Sectors primarily includes additional sectors such as Aerospace & Defense, Business Services, Retail, Commercial & Industrial and Environmental.

(2) Includes cash on settlements that have not yet been redeployed.

Equities

The Equities portfolio primarily consists of domestic preferred stocks, common equities, exchange traded funds, limited partnerships, limited liability corporations and other types of equity interests 74.1% of which are publicly traded. During 2021, we initiated a tail-risk management strategy that is designed to provide some protection for the equity portfolio relating to a significant decline in the S&P 500 within a 30 day period. We continued this strategy in the period ended September 30, 2022. The annual cost of the strategy is approximately $2.5 million. Our Equities portfolio is directed internally and includes both self-managed investments and portfolios managed by third-party investment management firms.

The following table summarizes the components of our Equities portfolio by security type as of September 30, 2022 and December 31, 2021:

	September 30, 2022		December 31, 2021	
($ in thousands)	Fair value	% of total fair value	Fair value	% of total fair value
Domestic Common Equities	$ 69,209	46.8%	$ 82,895	52.5%
International Common Equities	30,998	21.0%	16,911	10.7%
Preferred Stock	9,434	6.4%	18,166	11.5%
Other[(1)]	38,294	25.9%	40,061	25.3%
Equities	**$147,935**	**100.0%**	**$158,033**	**100.0%**

(1) Other includes LPs, LLCs and other equity interests.

Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of economic losses due to adverse changes in the estimated fair value of a financial instrument as the result of changes in interest rates, equity prices, foreign currency exchange rates and commodity prices. The primary components of market risk affecting us are credit risk and interest rate risk. We do not have significant exposure to foreign currency exchange rate risk or commodity risk.

Credit risk

Credit risk is the potential loss resulting from adverse changes in an issuer's ability to repay its debt obligations. We have exposure to credit risk as a holder of debt instruments in our Core Fixed Income and Opportunistic Fixed Income portfolios. Our risk management strategy and investment policy is to invest primarily in debt instruments of high credit quality issuers and to limit the amount of credit exposure with respect to particular ratings categories and any one issuer. At September 30, 2022, our Core Fixed Income portfolio had an average rating of "AA," with approximately 80.0% of securities in that portfolio rated "A" or better by at least one nationally recognized rating organization. Our policy is to invest in investment grade fixed income securities which are high quality and liquid, providing a stable income stream, supplemented by opportunistic fixed income and equity securities, with the objective of further enhancing the portfolio's diversification and risk-adjusted returns. At September 30, 2022, approximately 4.3% of our Core Fixed Income portfolio was unrated or rated below investment-grade. Through our investment managers, we monitor the financial condition of all of the issuers of securities in our portfolio.

In addition, we are subject to credit risk with respect to our third-party reinsurers. Although our third-party reinsurers are obligated to reimburse us to the extent we cede risk to them, we are ultimately liable to our policyholders on all risks we have ceded. As a result, reinsurance contracts do not limit our ultimate obligations to pay claims covered under the insurance policies we issue, and we might not collect amounts recoverable from our reinsurers. We address this credit risk by seeking to purchase reinsurance from reinsurers that are rated at least "A-" (Excellent) or better by A.M. Best. We also perform, along with our reinsurance broker, periodic credit reviews of our reinsurers. As of September 30, 2022, 98% of our reinsurance recoverables were either derived from reinsurers rated A- (Excellent) by A.M. Best, or better, or were collateralized through funds held, trusts and letters of credit our reinsurance recoverable by the reinsurer. If

one of our reinsurers suffers a credit downgrade, we may consider various options to lessen the risk of asset impairment, including commutation, novation and letters of credit.

Interest rate risk

Interest rate risk is the risk that we will incur economic losses due to adverse changes in interest rates. The primary market risk to our investment portfolio is interest rate risk associated with investments in fixed income securities. Fluctuations in interest rates have a direct effect on the market valuation of these securities. When market interest rates rise, the fair value of our securities decreases. Conversely, as interest rates fall, the fair value of our securities increases. We manage this interest rate risk by investing in securities with varied maturity dates and by managing the duration of our investment portfolio in directional relation to the duration of our reserves. Expressed in years, duration is the weighted average payment period of cash flows, where the weighting is based on the present value of the cash flows. We set duration targets for our Core Fixed Income investment portfolios after consideration of the estimated duration of our liabilities and other factors. Our fixed maturity securities, including both Core Fixed Income and Opportunistic Fixed Income portfolios, had a weighted average effective duration of 3.2 years as of September 30, 2022.

We had fixed income securities that were subject to interest rate risk with a fair value of $458.4 million at December 31, 2021. Our opportunistic fixed income securities are excluded from our interest rate sensitivity analysis as they are primarily floating rate and treated as held to maturity securities.

The table below summarizes the sensitivity of the fair value of our Core Fixed Income portfolio to selected hypothetical changes in interest rates as of December 31, 2021.

	December 31, 2021		
($ in thousands)	Estimated Fair Value	Estimated Change in Fair Value	Estimated % Increase (Decrease) in Fair Value
300 basis point increase	$ 401,928	$ (56,423)	(12.3)%
200 basis point increase	$ 419,804	$ (38,547)	(8.4)%
100 basis point increase	$ 438,779	$ (19,572)	(4.3)%
No change	$ 458,351	$ —	0.0%
100 basis point decrease	$ 473,889	$ 15,538	3.4%
200 basis point decrease	$ 480,856	$ 22,505	4.9%
300 basis point decrease	$ 481,085	$ 22,734	5.0%

Changes in interest rates will have an immediate effect on comprehensive income and stockholders' equity but will not ordinarily have an immediate effect on net income. Actual results may differ from the hypothetical change in market rates assumed in the table above. This sensitivity analysis does not reflect the results of any action that we may take to mitigate such hypothetical losses in fair value

Equity price risk

Equity price risk represents the potential economic losses due to adverse changes in equity security prices. As of September 30, 2022, approximately 14.1% of the fair value of our investment portfolio (excluding cash and cash equivalents) was invested in equity securities. We manage equity price risk through portfolio diversification and maintain a tail-risk management strategy that is designed to provide some protection for the equity portfolio relating to a significant decline in the S&P 500 within a 30 day period.

Critical Accounting Policies and Estimates

We identified the accounting estimates below as critical to the understanding of our financial position and results of operations. Critical accounting estimates are defined as those estimates that are both important to the portrayal of our financial condition and results of operations and require us to exercise significant judgment. We use significant judgment concerning future results and developments in applying these critical

accounting estimates and in preparing our consolidated financial statements. These judgments and estimates affect our reported amounts of assets, liabilities, revenues and expenses and the disclosure of our material contingent assets and liabilities. Actual results may differ materially from the estimates and assumptions used in preparing the consolidated financial statements. We evaluate our estimates regularly using information that we believe to be relevant. For a detailed discussion of our accounting policies, see Note 2 to our consolidated financial statements included elsewhere in this prospectus.

Reserves for unpaid losses and LAE

The reserves for unpaid losses and LAE is the largest and most complex estimate in our consolidated balance sheet. The reserves for unpaid losses and LAE represent our estimated ultimate cost of all unreported and reported but unpaid insured claims and the cost to adjust these losses that have occurred as of or before the balance sheet date. We do not discount our reserves for losses and LAE to reflect estimated present value. We estimate the reserves using individual case-basis valuations of reported claims and statistical analyses and various actuarial procedures. Those estimates are based on our historical information, industry and peer group information and our estimates of future trends in variable factors such as loss severity, loss frequency and other factors such as inflation. We regularly review our estimates and adjust them as necessary as experience develops or as new information becomes known to us. Additionally, during the loss settlement period, it often becomes necessary to refine and adjust the estimates of liability on a claim either upward or downward. Even after such adjustments, the ultimate liability may exceed or be less than the revised estimates. Accordingly, the ultimate settlement of losses and the related LAE may vary significantly from the estimate included in our financial statements.

We categorize our reserves for unpaid losses and LAE into two types: case reserves and IBNR.

Our gross reserves for losses and LAE at September 30, 2022 were $1,062.0 million, and of this amount, 55.8% related to IBNR. Our net reserves for losses and LAE at September 30, 2022 were $675.2 million, and of this amount, 62.2% related to IBNR.

Our gross reserves for losses and LAE at December 31, 2021 were $979.5 million, and of this amount, 53.9% related to IBNR. Our net reserves for losses and LAE at December 31, 2021 were $598.2 million, and of this amount, 60.0% related to IBNR.

The following tables present our gross and net reserves for unpaid losses and LAE at September 30, 2022 and December 31, 2021:

	September 30, 2022			
($ in thousands)	**Gross**	**% of Total**	**Net**	**% of Total**
Case reserves	$ 468,910	44.2%	$ 255,559	37.8%
IBNR	593,090	55.8%	419,690	62.2%
Total	**$ 1,062,000**	**100.0%**	**$ 675,249**	**100.0%**

	December 31, 2021			
($ in thousands)	**Gross**	**% of Total**	**Net**	**% of Total**
Case reserves	$ 451,446	46.1%	$ 239,013	40.0%
IBNR	528,103	53.9%	359,198	60.0%
Total	**$ 979,549**	**100.0%**	**$ 598,211**	**100.0%**

Case reserves are established for individual claims that have been reported to us. We are notified of losses by our insureds or their agents or our brokers. Based on the information provided, we establish case reserves by estimating the ultimate losses from the claim, including defense costs associated with the ultimate settlement of the claim. Our claims department personnel use their knowledge of the specific claim along with advice from internal and external experts, including underwriters and legal counsel, to estimate the expected ultimate losses. In limited circumstances, we utilize the services of TPAs to assist in the adjustment of claims. Our internal claims managers oversee TPA activities and monitor their individual claim handling activities to our prescribed standards.

Our IBNR reserves are developed in accordance with Actuarial Standards of Practice promulgated by the American Academy of Actuaries. Our reserve review is performed by our Reserve Committee that utilizes several accepted loss reserving methods to arrive at our best estimate of loss reserves. We give consideration to the relative strengths and weaknesses of each of the methods in deriving our actuarial best estimate of the liabilities. Where we have limited years of loss experience compared to the period over which we expect losses to be reported, we use industry and/or peer-group data in addition to our own data as a basis for selecting the parameters underlying our reserving methods. We monitor loss emergence daily. We carefully consider other internal or external factors such as underwriting, claims handling, economic, or environmental changes that could adversely affect the accuracy of the assumptions underlying our standard actuarial methods and when necessary we will adjust these assumptions, methods, and/or procedures to ensure that they appropriately reflect these changing conditions. The duration of loss reserves is 2.3 years, as of December 31, 2021.

Our Reserve Committee includes our Chief Actuary, Chief Risk Officer, Chief Financial Officer and Chief Claim Officer. The Reserve Committee meets quarterly to review the actuarial reserving recommendations made by the Chief Actuary and uses their best judgment to determine the best estimate to be recorded for the reserve for losses and LAE on our balance sheet. In establishing the quarterly actuarial recommendation for the reserves for losses and LAE, our actuary estimates an initial expected ultimate loss ratio for each of our underwriting divisions. Input from our underwriting and claims departments, including premium pricing assumptions and historical experience, is considered by our actuary in estimating the initial expected loss ratios. Multiple actuarial methods are used to estimate the reserve for losses and LAE. These methods utilize, to varying degrees, the initial expected loss ratio, detailed statistical analysis of past claims reporting and payment patterns, claims frequency and severity, paid loss experience, industry loss experience, and changes in market conditions, policy forms, exclusions, and exposures. The actuarial methods used to estimate losses and LAE reserves are:

- *Reported and/or Paid Loss Development Methods* — Ultimate losses are estimated based on historical reported and/or paid loss reporting patterns. Reported losses are the sum of paid and case losses. Industry development patterns are substituted for historical development patterns when sufficient historical data is not available.
- *Reported Bornhuetter-Ferguson Methods* — Ultimate losses are estimated as the sum of cumulative reported losses and estimated IBNR losses. IBNR losses are estimated based on historical development patterns and one or more of the following: expected average severity and estimated ultimate claims counts, expected pure premium, and expected loss ratios underlying our loss cost multipliers.
- *Paid Bornhuetter-Ferguson Method* — Under this method, ultimate losses are estimated as the sum of cumulative paid losses and estimated unpaid losses. Unpaid losses are estimated based on the expected loss ratios underlying our loss cost multipliers, and selected industry development patterns of paid losses.

We utilize each of these methods in our comprehensive review of reserves. When evaluating reserves related to less mature policy years, we utilize the Bornhuetter-Ferguson Method as the primary method for our ultimate loss indications. As we move to more mature policy years, we transition to the Reported and/or Paid Loss Development Methods. We primarily rely on reported methods where case reserving is consistently applied across policy years, however, when there is a change in reserving philosophy we will blend both reported and paid methods in our evaluation of ultimate loss indications.

Our reserves are driven by several important factors, including litigation and regulatory trends, legislative activity, climate change, social and economic patterns and claims inflation assumptions. Our reserve estimates reflect current inflation in legal claims' settlements and assume we will not be subject to losses from significant new legal liability theories. Our reserve estimates assume that there will not be significant changes in the regulatory and legislative environment. The impact of potential changes in the regulatory or legislative environment is difficult to quantify in the absence of specific, significant new regulation or legislation. In the event of significant new regulation or legislation, we will attempt to quantify its impact on our business, but no assurance can be given that our attempt to quantify such inputs will be accurate or successful.

Although we believe that our reserve estimates are reasonable, it is possible that our actual loss experience may not conform to our assumptions. Specifically, our actual ultimate loss ratio could differ from our initial expected loss ratio or our actual reporting and payment patterns could differ from our expected reporting and

payment patterns, which are based on our own data and industry data. Accordingly, the ultimate settlement of losses and the related LAE may vary significantly from the estimates included in our financial statements. We regularly review our estimates and adjust them as necessary as experience develops or as new information becomes known to us. Such adjustments are included in the results of current operations.

The table below quantifies the impact of potential reserve deviations from our carried reserve at December 31, 2021. We applied sensitivity factors to incurred losses for the three most recent accident years and to the carried reserve for all prior accident years combined. In the selection of the volatility factors, we have considered the potential impact of changes in current loss trends, pricing trends, and other actuarial reserving assumptions. The aggregate development depicted in the sensitivity analysis is consistent with the average development in recent calendar periods and a reasonable depiction of the potential volatility of the reserve estimates for the current calendar period. We believe that potential changes such as these would not have a material impact on our liquidity.

($ in thousands)			December 31, 2021		Potential Impact on 2021	
Sensitivity	Accident Year	Net Ultimate Loss and LAE Sensitivity Factor	Net Ultimate Incurred Losses and LAE	Net Loss and LAE Reserve	Pre-tax income	Stockholders' Equity[1]
Sample increases	2021	5.0%	$338,348	$260,797	$(16,917)	$ (13,365)
	2020	4.0%	302,245	114,675	(12,090)	(9,551)
	2019	3.0%	252,563	57,913	(7,577)	(5,986)
	Prior	5.0%		164,826	(8,241)	(6,511)
Sample decreases	2021	(5.0)%	338,348	260,797	16,917	13,365
	2020	(4.0)%	302,245	114,675	12,090	9,551
	2019	(3.0)%	252,563	57,913	7,577	5,986
	Prior	(5.0)%		164,826	8,241	6,511

(1) In 2021, the effective rate was consistent with the U.S. corporate income tax rate of 21% and is used to estimate the potential impact to stockholders' equity.

The amount by which estimated losses differ from those originally reported for a period is known as "development." Development is unfavorable when the losses ultimately settle for more than the amount reserved or subsequent estimates indicate a basis for reserve increases on unresolved claims. Development is favorable when losses ultimately settle for less than the amount reserved or subsequent estimates indicate a basis for reducing loss reserves on unresolved claims. We reflect favorable or unfavorable development of loss reserves in the results of operations in the period the estimates are changed.

Investments

Fair value measurements

We have established a framework for valuing financial assets and financial liabilities. The framework is based on a hierarchy of inputs used in valuation and gives the highest priority to quoted prices in active markets and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company's significant market assumptions. The three levels of inputs that may be used to measure fair value and categorize the assets and liabilities within the hierarchy:

Level 1 — Fair value is based on unadjusted quoted prices in active markets that are accessible to us for identical assets or liabilities. These prices generally provide the most reliable evidence and are used to

measure fair value whenever available. Active markets are defined as having the following for the measured asset/liability: (i) many transactions, (ii) current prices, (iii) price quotes not varying substantially among market makers, (iv) narrow bid/ask spreads and (v) most information publicly available.

Level 2 — Fair value is based on significant inputs, other than Level 1 inputs, that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, nonbinding quotes in markets that are not active for identical or similar assets and other market observable inputs (e.g., interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.).

Level 3 — Fair value is based on at least one or more significant unobservable inputs that are supported by little or no market activity for the asset. These inputs reflect our understanding about the assumptions market.

We generally obtain valuations from third-party pricing services and/or security dealers for identical or comparable assets or liabilities by obtaining nonbinding broker quotes (when pricing service information is not available) in order to determine an estimate of fair value. We base all of our estimates of fair value for assets on the bid price as it represents what a third-party market participant would be willing to pay in an arm's-length transaction.

Impairment

We review fixed income securities for other-than-temporary impairments ("OTTI") based upon quantitative and qualitative criteria that include, but are not limited to, downgrades in rating agency levels for securities, the duration and extent of declines in fair value of the security below its cost or amortized cost, interest rate trends, our intent to sell or hold the security, market conditions, and the regulatory environment for the security's issuer.

We may also consider cash flow models and matrix analyses in connection with our OTTI evaluation. We will record credit impairment in the consolidated statements of operations and comprehensive income (loss) when the present value of cash flows expected to be collected from the debt security is less than the amortized cost basis of the security. In addition, any portion of such decline to arise from factors other than credit is recorded as a component of other comprehensive income ("OCI").

Deferred income taxes

We record deferred income taxes as assets or liabilities on our balance sheet to reflect the net tax effect of the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred tax assets and liabilities are measured by applying enacted tax rates in effect for the years in which such differences are expected to reverse. Our deferred tax assets result from temporary differences primarily attributable to loss reserves, unearned premium reserves and net adjusted operating losses from prior periods. Our deferred tax liabilities result primarily from unrealized gains in the investment portfolio and deferred acquisition costs. We review the need for a valuation allowance related to our deferred tax assets each quarter. We reduce our deferred tax assets by a valuation allowance when we determine that it is more likely than not that some portion or all of the deferred tax assets will not be realized. The assessment of whether or not a valuation allowance is needed requires us to use significant judgment. See Note 15, "Income Taxes" in our consolidated financial statements included elsewhere in this prospectus for further discussion regarding our deferred tax assets and liabilities.

Reinsurance

We strategically purchase reinsurance from third parties which enhances our business by protecting capital from severity events (either large single event losses or catastrophes) and reducing volatility in our earnings. Reinsurance refers to an arrangement in which a company called a reinsurer agrees in a contract (often referred to as a treaty) to assume specified risks written by an insurance company (known as a ceding company) by paying the insurance company all or a portion of the insurance company's losses arising under specified classes of insurance policies in return for a share in premiums.

Reinsurance recoverables recorded on insurance losses ceded under reinsurance contracts are subject to judgments and uncertainties similar to those involved in estimating gross loss reserves. In addition to these uncertainties, our reinsurance recoverables may prove uncollectible if the reinsurers are unable or unwilling to perform under the reinsurance contracts. In establishing our reinsurance allowance for amounts deemed uncollectible, we evaluate the financial condition of our reinsurers and monitor concentration of credit risk arising from our exposure to individual reinsurers. To determine if an allowance is necessary, we consider, among other factors, published financial information, reports from rating agencies, payment history, collateral held and our legal right to offset balances recoverable against balances we may owe. Our reinsurance allowance for doubtful accounts is subject to uncertainty and volatility due to the time lag involved in collecting amounts recoverable from reinsurers. Over the period of time that losses occur, reinsurers are billed and amounts are ultimately collected, economic conditions, as well as the operational and financial performance of particular reinsurers may change and these changes may affect the reinsurers' willingness and ability to meet their contractual obligations to us. It is difficult to fully evaluate the impact of major catastrophic events on the financial stability of reinsurers, as well as the access to capital that reinsurers may have when such events occur. The ceding of insurance does not legally discharge us from our primary liability for the full amount of the policies, and we will be required to pay the loss and bear the collection risk if any reinsurer fails to meet its obligations under the reinsurance contracts. We seek to purchase reinsurance from reinsurers that are rated at least "A-" ("Excellent") or better by A.M. Best. Based on our evaluation of the factors discussed above, we believe all of our recoverables are collectible and, therefore, no allowance for uncollectible reinsurance was provided for at December 31, 2021 or 2020 or at September 30, 2022.

Certain ceded reinsurance contracts, which we determine do not transfer significant insurance risk, are accounted for using the deposit method of accounting. The evaluation of the transfer of significant insurance risk involves an assessment of both timing risk and underwriting risk. We may determine that a reinsurance contract does not transfer significant insurance risk if either underwriting risk or timing risk or both are not deemed to have been transferred. For those contracts that transfer only significant timing risk, a deposit asset is recorded equal to the initial cash outflow under the contract, which will then be offset by cash inflows received from the reinsurers. To the extent cash outflows are expected to differ from expected cash inflows, an accretion rate is established at inception of the contract based on actuarial estimates whereby the deposit accounting asset is increased/decreased to the estimated amount receivable over the contract term. The accretion of the deposit is based on the expected rate of return implied from the estimated cash inflows and outflows under the contract. Periodically, we reassess the estimated ultimate receivable and the related expected rate of return on the deposit asset. The accretion of the deposit asset, including any changes in accretion resulting from changes in estimated cash flows, are reflected as part of investment income in our results of operations.

Recent Accounting Pronouncements

We currently qualify as an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. Accordingly, we are provided the option to adopt new or revised accounting guidance either (i) within the same periods as those otherwise applicable to non-emerging growth companies or (ii) within the same time periods as private companies. We have elected to avail ourselves of this extended transition period and, as a result, we will not be required to adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of $1.235 billion or more; (ii) the last day of our fiscal year following the fifth anniversary of the date of the completion of this offering; (iii) the date on which we have issued more than $1 billion in nonconvertible debt during the previous three years; and (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments (Topic 326). ASU 2016-13 requires organizations to estimate credit losses on certain types of financial instruments, including receivables and available-for-sale debt securities, by introducing an approach based on expected losses. The expected loss approach will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. The guidance is effective for fiscal years beginning after December 15, 2022. Early adoption is permitted. We are currently evaluating the impact that the adoption of the ASU will have on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles — Goodwill and Other (Topic 350). ASU 2017-04 eliminates the requirement to calculate the implied fair value of goodwill that is done in step two of the current goodwill impairment test to measure a goodwill impairment loss. Instead, entities will record an impairment loss based on the excess of a reporting unit's carrying amount over its fair value. We adopted this ASU effective January 1, 2020. The adoption of this ASU did not have a material impact on our consolidated financial statements.

In February 2017, the FASB issued ASU No. 2016-02, Leases, to improve the financial reporting of leasing transactions. Under legacy guidance for lessees, leases are only included on the balance sheet if certain criteria, classifying the agreement as a capital lease, are met. This pronouncement requires the recognition of a right-of-use asset and a corresponding lease liability, discounted to the present value, for all leases that extend beyond 12 months. For operating leases, the asset and liability will be expensed over the lease term on a straight-line basis, with all cash flows included in the operating section of the statement of cash flows. For finance leases, interest on the lease liability will be recognized separately from the amortization of the right-of-use asset in the income statement and the repayment of the principal portion of the lease liability will be classified as a financing activity in the statements of cash flows while the interest component will be included in the operating activities in the statements of cash flows. This ASU is effective for reporting periods beginning after December 15, 2018 for public entities and reporting periods beginning after December 15, 2020 for private entities. Early adoption is permitted and, accordingly, we adopted this ASU effective January 1, 2020. The adoption of this ASU resulted in the recognition of a $12.4 million right-of-use asset within other assets and a $12.8 million lease liability within accounts payable and accrued liabilities on the consolidated balance sheets.

In March 2017, the FASB issued ASU No. 2017-08, Premium Amortization on Purchased Callable Debt Securities, provided guidance that shortens the amortization period for certain callable debt securities held at a premium by requiring the premium to be amortized to the earliest call date. The standard does not require an accounting change for securities held at a discount, which continue to be amortized to maturity. This ASU is effective for nonpublic entities with fiscal years beginning after December 15, 2019. We adopted this ASU effective January 1, 2020. The adoption of this ASU did not have a material impact on our consolidated financial statements

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform, provided guidance to expedite and simplify the accounting associated with the anticipated migration away from the widely-used London Inter-bank Offered Rate and other similar rates as benchmark interest rates (collectively, "LIBOR") after 2021. Under pre-existing GAAP, such modifications made to: (i) loans and certain other contracts would require re-assessments of the accounting for those contacts, such as whether they were extinguished and remeasured from an accounting perspective. This new guidance largely eliminates these requirements as a result of this migration to one or more new benchmark rates and is generally applicable for contract modifications made prior to December 31, 2022. We adopted this ASU effective March 12, 2020. The adoption of this ASU did not have a material impact on our consolidated financial statements.

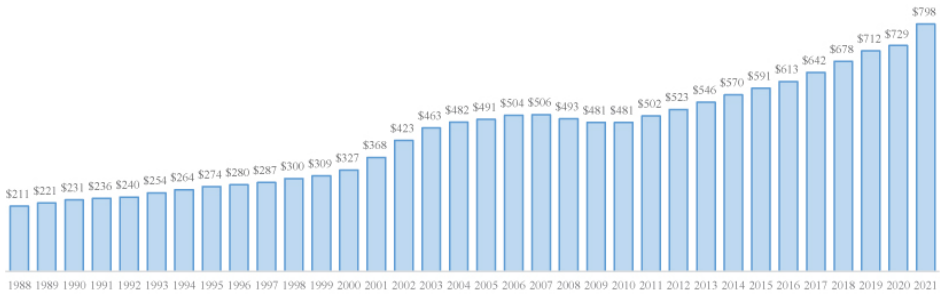
In August 2020, the FASB issued ASU 2020-06, Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40) to simplify accounting for certain financial instruments. ASU 2020-06 eliminates the current models that require separation of beneficial conversion and cash conversion features from convertible instruments and simplifies the derivative scope exception guidance pertaining to equity classification of contracts in an entity's own equity. The new standard also introduces additional disclosures for convertible debt and freestanding instruments that are indexed to and settled in an entity's own equity. ASU 2020-06 amends the diluted earnings per share guidance, including the requirement to use the if-converted method for all convertible instruments. ASU 2020-06 is effective January 1, 2022 and should be applied on a full or modified retrospective basis, with early adoption permitted beginning on January 1, 2021. The Company adopted ASU 2020-06 on a full retrospective basis, effective January 1, 2021. The adoption of ASU simplifies the accounting and disclosure of convertible instruments as a part of filing financial statements with the U.S. Securities and Exchange Commission (SEC). All previous financial statements were not subject to SEC financial statement standards.

INDUSTRY

In general terms, property and casualty ("P&C") insurance companies provide coverage for a loss as specified by a policy/contract in exchange for premiums paid by the insured. Broadly, an insurance policy is a contract between the insurance company and the insured or a principal under which the insurance company agrees to pay for losses suffered by the insured, or a third-party, that are covered under the contract. The insurance contract can cover the insured for either a first party loss, such as to the insured's property, or for reimbursement of expenses borne by the insured, or for third party loss such as bodily injury, financial loss, or in instances when an obligation is not fulfilled such as provided by surety contracts. The type of coverage and source of premiums are often classified based on how long an insurer may have exposure to the risks covered by the policy, meaning the time from when a contract incepts to when a claim is quantified, settled and paid. Property claims are an example of claims that are often quantified and paid within a relatively short period of time after the underlying loss event has occurred. It is one example of insurance claim which is referred to as "short-tailed." Casualty and liability coverages, in contrast, often take longer to quantify and settle because there can be a delay between the occurrence of a loss and the time the insurer takes to quantify and settle the claim; these are examples of insurance coverages that are "medium to long tailed." For the nine months ended September 30, 2022, approximately 48% of our gross written premiums were generated from short-tailed lines of business, specifically property, A&H, auto physical damage and surety. The remaining 52% were generated from medium-tailed lines of business, which typically average in aggregate three to five years from occurrence of a loss to quantification and settlement of the claim. Examples of medium-tailed lines we write include auto liability, general liability, excess liability and professional liability.

The U.S. P&C insurance industry, the largest P&C market in the world, generated approximately $798 billion in direct premiums written ("DPW") in 2021 according to A.M. Best. The P&C insurance industry's direct premiums written are closely correlated to gross domestic product ("GDP") with the P&C industry generally growing in line with GDP growth. In 2021, approximately 96% of our gross written premiums covered U.S.-based underlying risks.

Total U.S. P&C DPW ($ in billions)



The U.S. P&C insurance industry can be divided between standard and specialty insurance products. Standard insurance products generally have more uniformity, cover more homogenous risks, and offer more standardized coverages. Although there is no standard definition of "specialty insurance," we believe "specialty" insurance products typically cover higher-hazard or non-standard risks and/or risks in niche market segments or geographies that require tailored underwriting and claims handling. Within the P&C industry, we operate in the specialty insurance market.

Many specialty insurers offer both admitted and non-admitted ("E&S") products, depending on the market conditions and regulatory requirements. Admitted products are more heavily regulated by state insurance departments with respect to terms of coverage and price, and are often easier for retail agents or brokers to sell, as most states require that the retail agent or broker try to obtain coverage on behalf of the insured from a specified number of admitted carriers before insurance can be placed in the non-admitted market. For the nine months ended September 30, 2022, for our continuing business, 48% of our gross written premiums were attributable to admitted products.

E&S carriers are not subject to the same degree of regulatory oversight as admitted carriers, and E&S business is underwritten with more flexible policy forms and rates. This flexibility allows the non-admitted

carriers to evaluate fully the unique qualities of the underlying risk and customize pricing and terms and conditions to meet the needs of the insured. Non-admitted carriers generally are only permitted to underwrite business that has been specifically deemed acceptable for the E&S market by state regulators or once coverage has been denied in the admitted market. For the nine months ended September 30, 2022, for our continuing business, 52% of our gross written premiums were attributable to E&S products.

We believe that the competition in the specialty segment of the market tends to focus less on price compared to the standard lines insurance market and more on other value-based considerations such as availability, terms of coverage, customer service and underwriting and claims expertise. The demand for specialty insurance products (both admitted and non-admitted) has expanded significantly over the past few years due to (i) increased globalization and acceleration of technology, which has introduced new categories of risks at an increasing rate, (ii) a generally increased level of litigation and regulation which has the potential to increase liability costs for business, (iii) increasing jury awards granted to plaintiffs, (iv) the emergence of novel health risks, including the COVID-19 pandemic, and (v) increased frequency of severe weather events and the risk of climate change. In part, this growth in the specialty market is evidenced by (i) growth of the E&S market, which has expanded from $8.5 billion of direct premiums written in 1993 to $82.6 billion in 2021 and (ii) the commercial lines market share of E&S insurers having increased from 6.1% of all U.S. commercial lines direct premiums written in 1993 to 20.4% in 2021, according to A.M. Best.

Cyclicality of the Industry

Historically, the insurance industry has had underwriting cycles with periods of “hard” and “soft” pricing based on the supply of insurance capital in a given market relative to the demand for insurance in that same market. The supply of insurance is a function of prevailing prices, the level of insured losses, the level of industry surplus, the availability of capital, and other factors. The level of industry surplus, in turn, may fluctuate in response to loss experience and reserve development as well as changes in rates of return on investments being earned in the insurance industry. As a result, P&C insurance is a cyclical industry characterized by periods of excess underwriting capacity and lack of underwriting discipline resulting in heightened competition on price and policy terms, followed by periods of attractive underwriting conditions for carriers driven by shortages of capacity and favorable rate environments and policy terms and conditions. During hard market cycles, some risks move from the admitted market to the E&S market as standard market carriers restrict their underwriting appetite in response to losses they have taken during the soft part of the underwriting cycle. Similarly, when conditions begin to soften, many customers that were previously driven into the E&S market may return to the admitted market, exacerbating the effects of rate decreases. We believe we are currently experiencing a relatively hard market cycle, however we cannot predict the timing or duration of changes in the market cycle because the cyclicality is due in large part to the actions of our competitors and general insurance market factors.

Underwriting capacity, as defined by the capital of participants in the industry as well as the willingness of investors to make further capital available at attractive terms, is affected by a number of factors, including:

- Loss experience for the industry in general, and for specific lines of business or risks in particular;
- Natural and man-made disasters, such as hurricanes, windstorms, earthquakes, floods, fires and acts of terrorism;
- Trends in the amounts of settlements and jury awards in cases involving third party liability claims;
- A growing trend of plaintiffs targeting property and casualty insurers in class action litigation related to claims handling, insurance sales practices, negligence and other practices related to the insurance business;
- Development of reserves for mass tort liability, professional liability and other specialty medium - tailed lines of business;
- Investment results, including credit defaults, rating downgrades, realized and unrealized gains and losses on investment portfolios and annual investment yields; and
- Ratings and financial strength of market participants.

Over the last several years, there has been a significant increase in loss events such as losses stemming from the COVID-19 pandemic, natural catastrophe activity and man-made losses. The elevated loss activity combined with the trend of increasing jury verdicts and attorney involvement (sometimes referred to as "social inflation"), the recent increase in financial inflation and historically low interest rates and investment yields have pressured profitability of the P&C insurance industry as a whole, thereby, causing insurers to review their pricing, risk appetites and return thresholds. These factors have driven wide-spread rate increases across many business lines and forced some risks from the standard market to the specialty admitted or E&S market. The rate increases, which gained prominence in 2020, are expected to continue in the near term and generally match or exceed loss cost trends which should lead to continued margin expansion for the P&C insurance industry. The largest rate increases are seen in the professional liability market, commercial auto market and catastrophe exposed property market, particularly for those accounts that have experienced losses. Beyond price, insurers are also starting to note improved terms and conditions.

Overall, as profitability pressures persist and capacity remains tight, we are experiencing positive rate movement as well as better terms in most lines of business in which we operate. When the underwriting cycle turns, our ability to increase rates will be reduced and some risks that are currently being written in the E&S market will return to the admitted market. We anticipate that our ability to write in both admitted and non-admitted markets will help us to compete across underwriting cycles.

BUSINESS

Who We Are

We are a growing specialty insurance company delivering commercial P&C products and solutions on a non-admitted (or E&S) and admitted basis, predominantly in the United States. We focus our business on markets that are underserved, dislocated and/or for which standard insurance coverages are insufficient or inadequate to meet the needs of businesses, including our customers and prospective customers operating in these markets. Our customers typically require highly specialized, customized underwriting solutions and claims capabilities. As such, we develop and deliver tailored insurance products and services to address each of the niche markets we serve.

Our portfolio of insured risks is highly diversified — we insure customers operating in a wide variety of industries; we distribute through multiple channels; we write multiple lines of business, including general liability, excess liability, professional liability, commercial auto, group accident and health, property, surety and workers' compensation; we insure both short and medium duration liabilities; and our business mix is balanced between E&S and admitted markets. All of these factors enable us to respond to market opportunities and dislocations by deploying capital where we believe we can consistently earn attractive risk-adjusted returns. We believe this diversification, combined with our underwriting and claims expertise, will produce strong growth and consistent profitability across P&C insurance pricing cycles.

We seek to lead in our chosen market niches and establish sustainable competitive positions in these markets. The following key elements underpin our strategy and approach to our business:

1. Providing differentiated products, services and solutions that meet the unique needs of our target markets;
2. Attracting and retaining exceptional underwriting and claims talent and incentivizing our professionals in a manner that aligns with our organization and corporate goals;
3. Amplifying the expertise of our people with advanced technology and analytics that enable superior risk selection, pricing and claims management;
4. Empowering our underwriting and claims teams with considerable authority to make decisions and apply their expertise; and
5. Fostering a culture that promotes nimbleness and responsiveness to market opportunities and dislocation.

We refer to this strategy as "Rule Our Niche" and it forms the basis of our approach to building a strong defensible market position, creating a competitive moat, and winning in our chosen markets. We believe that the principles underlying our strategy are key to achieving and sustaining best-in-class underwriting results through P&C insurance pricing cycles. We consistently strive for excellence in risk selection, pricing, and claims outcomes, and to amplify these critical functions with the use of advanced technology and analytics.

We are led by an entrepreneurial executive management team with decades of insurance leadership experience spanning multiple aspects of the global P&C industry. Our leadership is supported by an experienced team with a broad skillset and aligned around our strategy. We believe our high-quality leadership and underwriting and claims teams, technology DNA, advanced analytics capabilities, diversified book of business, and strong competitive position in each of our chosen market niches position us to continue to profitably grow our business. We aim to deliver long-term value for our shareholders by generating best-in-class underwriting profitability and book value per share growth across P&C market cycles.

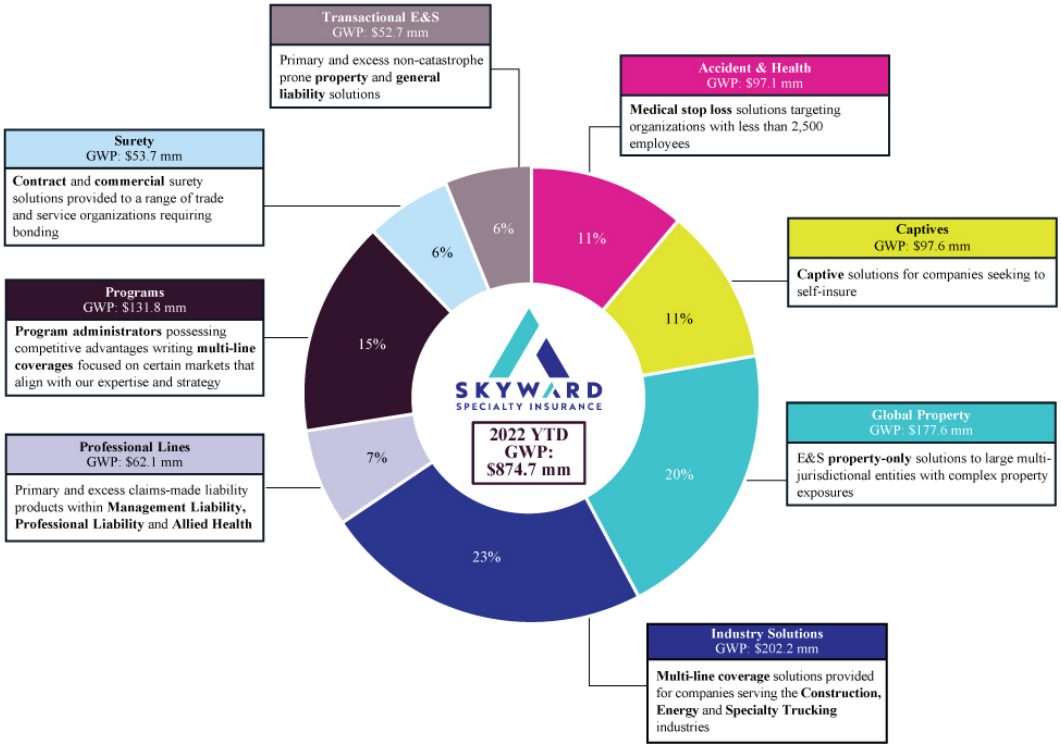
For the nine months ended September 30, 2022, we wrote $879.1 million in gross written premiums and had a combined ratio of 94.7% and an adjusted combined ratio of 92.6%. At September 30, 2022, our stockholders' equity was $399.8 million. For the nine months ended September 30, 2022, we generated $19.0 million and $46.9 million of net income and adjusted operating income, respectively, a 6.1% and 15.2% annualized return on equity and annualized adjusted return on equity, respectively and a 7.9% and 19.4% annualized return on tangible equity and annualized adjusted return on tangible equity, respectively.

For the year ended December 31, 2021, we wrote $939.9 million in gross written premiums, had a combined ratio of 97.8% and an adjusted combined ratio of 94.6%, and our stockholders' equity was $426.1 million at year end, an increase of 8.3% compared to the prior year period. For the year ended December 31, 2021, we generated $34.3 million and $36.0 million of net income and adjusted operating income, respectively, a 9.4% and 8.8% return on equity and adjusted return on equity, respectively and a 11.9% and 11.2% return on tangible equity and adjusted return on tangible equity, respectively. For a reconciliation of adjusted combined ratio to combined ratio, adjusted operating income to net income, adjusted return on equity to return on equity, return on tangible equity to return on equity, and adjusted return on tangible equity to return on equity, see the section entitled "Management's Discussion and Analysis of Financial Conditions and Results of Operations — Reconciliation of Non-GAAP Financial Metrics."

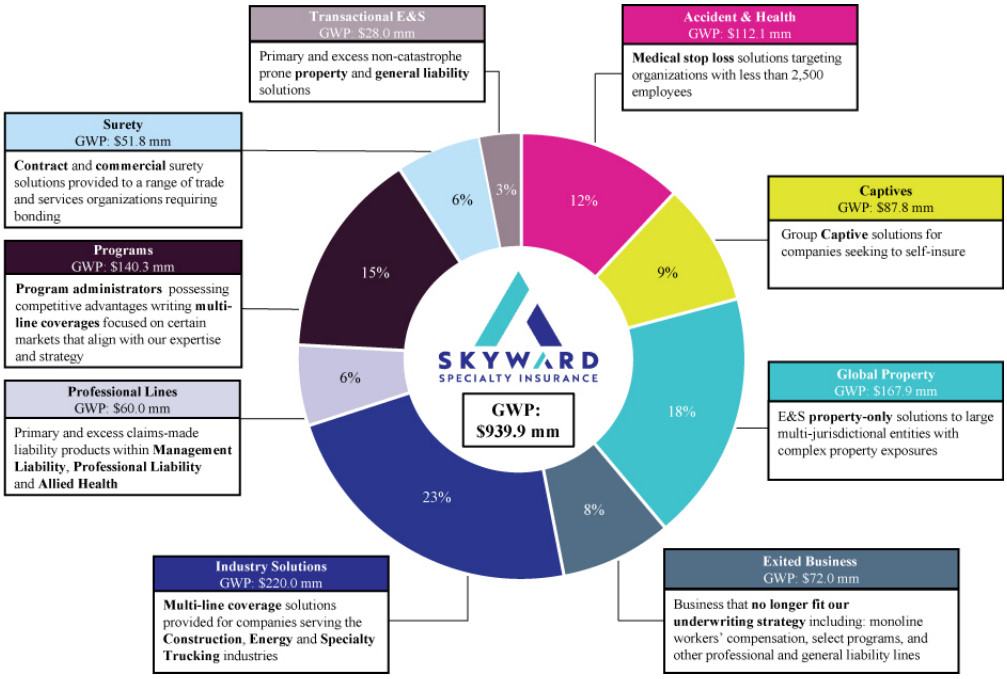
Our Business

We have one reportable segment through which we offer a broad array of insurance coverages to a number of market niches. In order to provide a clear overview of this segment, we provide a presentation of our eight distinct underwriting divisions. Each of the underwriting divisions has dedicated underwriting leadership supported by high-quality technical staff with deep experience in their respective niches. We believe this structure and expertise allow us to serve the needs of our customers effectively and be a value-add partner to our distributors, while earning attractive risk-adjusted returns.

The following chart represents our gross written premiums for continuing business by underwriting division for the nine months ended September 30, 2022 (2022 YTD).



The following chart represents our gross written premiums by underwriting division for the year ended December 31, 2021.



Accident & Health: Our Accident & Health underwriting division provides a medical stop loss solution targeting organizations with less than 2,500 employees. Our approach for managing medical costs, combined with our claims oversight, enables us to partner with select distribution partners. We target and serve a segment of the small and medium sized enterprise market that is actively seeking to take control of their healthcare costs by self-insuring a portion of their healthcare insurance. We write these products on an admitted basis and distribute through retail brokers and wholesale broker partners. We established our presence in the Accident & Health marketplace in 2015 through an acquisition of a program administrator, expanding our scope in 2016 with another program administrator partnership and eventual acquisition in 2018.

Captives: Our Captives underwriting division provides group captive solutions by drawing on our underwriting and claims expertise from other underwriting divisions to create group captives for companies seeking to self-insure. By leveraging our underwriting, claims, technology, and analytical expertise across our Company, we are able to broaden our market reach and write additional profitable business with limited additional expense. Our Captive underwriting division writes property, general liability, commercial auto, excess liability, and workers' compensation lines of business on an E& S and an admitted basis. We often administer this business through partnerships with third-party captive managers.

Global Property: Our Global Property underwriting division provides property-only solutions to large multi-jurisdictional entities with complex property exposures. The business is written entirely on an E&S basis. We distribute this product through retail brokers and select wholesale brokers. Our book and position with our customers and distribution partners has been curated over more than ten years, and we have become an important partner to the brokers that place this business and an equally important part of our insureds' risk transfer program.

Industry Solutions: Our Industry Solutions underwriting division includes three underwriting units that each provide multiple coverages to the businesses they serve: Construction, Energy and Specialty Trucking. Our Construction and Energy underwriting units provide general liability, excess liability, commercial auto, workers' compensation, and inland marine, written principally on an admitted basis, to a broad range of middle market construction and energy production and servicing customers. Our Specialty Trucking unit

writes on an E&S basis commercial auto and general liability solutions to mid-sized intermodal trucking companies. The industry segments we seek to underwrite often have high severity exposures that our teams of skilled and experienced underwriters and claims professionals are able to address quickly and creatively, frequently with multi-line solutions. We distribute these products through retail agents and brokers and a select network of wholesalers.

Professional Lines: Our Professional Lines underwriting division includes three underwriting units: Management Liability, Professional Liability, and Allied Health. Professional Liability and Allied Health provide E&S primary and excess claims-made liability products distributed exclusively through wholesale brokers, while our Management Liability unit provides both E&S and admitted products distributed through both wholesale and retail brokers. Our teams of experienced professional lines underwriters and claims professionals strive to deliver creative solutions effectively and efficiently, often for higher severity exposures, thereby providing value to our distribution partners and customers. While we have been underwriting professional lines business for many years, this division was substantially expanded during the year ended December 31, 2021 with the addition of several experienced and highly respected underwriters and claims professionals.

Programs: Our Programs underwriting division partners with program administrators focused on certain markets that align with our expertise and strategy. We believe partnering with a program administrator in certain circumstances is the optimal way for us to participate profitably — or extend our reach — in some markets and "Rule Our Niche." Typically, the program administrators possess a competitive advantage (owing to their scale in a particular market niche and/or proprietary technology) that we believe would be difficult for us to replicate on our own. For example, certain of our program administrator partners have developed proprietary technology to optimize risk selection and pricing in specific markets. The combination of our underwriting and claims expertise with their scale and/or technology creates a more powerful partnership than either party could present to the market on its own. In all of our programs we are an active partner, bringing resources and capabilities to the partnership that extend far beyond balance sheet capacity. Our Programs underwriting division writes property, general liability, commercial auto liability, excess liability, and workers' compensation lines of business on an E&S and an admitted basis. Our Company and team have decades of experience operating and/or partnering with program administrators. Our underwriting appetite and approach to this market was substantially repositioned during the years ended December 31, 2020 and 2021 resulting in our cancellation of certain program administrator relationships and the refocusing of our resources on select existing and new relationships.

Surety: Our Surety underwriting division provides contract and commercial surety solutions to a range of trade and services organizations requiring bonding. We principally focus on small to medium sized enterprises with aggregate bond programs up to $50 million. Our underwriting and claims professionals differentiate themselves through their technical capabilities and decision making speed. We write this business on an admitted basis and distribute through retail agents and brokers. We have been actively writing Surety business since 2018, and substantially increased our presence in the market with the acquisition of Aegis Surety in January 2021.

Transactional E&S: Our Transactional E&S underwriting division provides primary and excess non-catastrophe prone property and general liability solutions, with particular emphasis on risks that are considered hard to place because of the complexity of the underlying exposure, loss history, and/or limited operating history (i.e., start up and newer businesses). Success in our target market is determined by technical underwriting, thoughtful coverage provisions and pricing, and high-quality broker service. We access the market in this division exclusively through wholesale brokers. We formed our Transactional E&S division in September 2020 with the hiring of experienced underwriters with whom our leadership team worked at prior companies to build this business.

Our gross written premiums for each of our underwriting divisions for the nine months ended September 30, 2022 and September 30, 2021 are as follows:

Total Gross Written Premiums For the nine months ended September 30,				
($ in thousands)	**2022**	**% of Total**	**2021**	**% of Total**
Industry Solutions	$ 202,237	23.0%	$ 150,599	21.0%
Global Property	177,565	20.2%	140,815	19.7%
Programs	131,752	15.0%	110,301	15.4%
Accident & Health	97,107	11.0%	83,542	11.7%
Captives	97,580	11.1%	70,355	9.8%
Professional Lines	62,127	7.1%	44,060	6.2%
Surety	53,734	6.1%	33,396	4.7%
Transactional E&S	52,645	6.0%	17,492	2.4%
Total continuing business	**$ 874,746**	**99.5%**	**$ 650,560**	**90.9%**
Exited business	4,373	0.5%	65,116	9.1%
Total gross written premiums	**$ 879,119**	**100.0%**	**$ 715,676**	**100.0%**

Within every underwriting division, our actions are intentional to "Rule Our Niche." We aim to innovate constantly, and our actions are specific to each of our divisions and the markets we serve. Some notable highlights are:

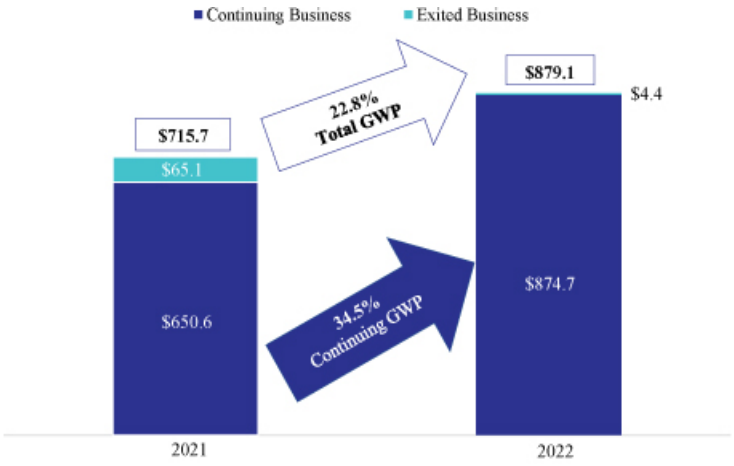
- ***SkyDrive***: Within our Specialty Trucking underwriting unit, we developed the award-winning, proprietary SkyDrive underwriting and risk management portal for our underwriters, brokers, and insureds to address a market that has been disrupted for some time due to the loss experience of certain incumbent carriers operating in the market. Our portal synthesizes real-time intelligence on driver and fleet history, safety, and performance, utilizing telematics and other data from a variety of sources. We believe the portal significantly increases the power of our risk selection, underwriting, risk management and claims decision-making. Given the success of SkyDrive, we have started to deploy components of SkyDrive across our commercial auto exposures in other underwriting divisions as well.
- ***Quick-Strike***: Across all of our commercial auto lines, we utilize an innovative "quick strike" response to claims events. We seek to have an experienced investigator at the scene of an accident within two hours of the event, regardless of the location, to access, and if appropriate, to resolve quickly any third-party claims.
- ***SkyVantage***: Within our Accident & Health underwriting division, we have deployed SkyVantage, our latest technology driven stop-loss solution. SkyVantage leverages big data and machine learning to evaluate group health risk at a deeper level, particularly for smaller accounts (those with less than 250 lives) for which we believe efficient data capture and data fidelity are critical to the underwriting process. We utilize SkyVantage to facilitate risk scoring to augment our experienced underwriters' analyses for risk selection and pricing.
- ***Cannabis Industry***: As part of our focus on underserved markets, we identified the cannabis industry as a market niche not sufficiently served by the P&C insurance industry. In property and general liability lines, we elected to partner with a technology-forward program administrator with specific capabilities for the cannabis industry. We subsequently developed and launched cannabis specific professional and executive liability products we offer directly to our wholesale partners, and then further developed and launched cannabis specific commercial surety products. We identified, evaluated, and launched products across these underwriting divisions in less than six months. We believe we have one of the market leading product offerings for cannabis, one of the fastest growing industries in the United States as measured by sales and job creation.
- ***Construction Captive***: Together with our distribution partners for our Construction underwriting unit, we identified an opportunity to leverage our market leading experience and capabilities in a particular specialty contractor segment. We subsequently developed and launched an innovative captive

solution for this segment which is offered side-by-side with our traditional guaranteed cost product. As a result, we have significantly broadened the portion of this market we can serve while leveraging our existing underwriting, claims and analytic expertise.

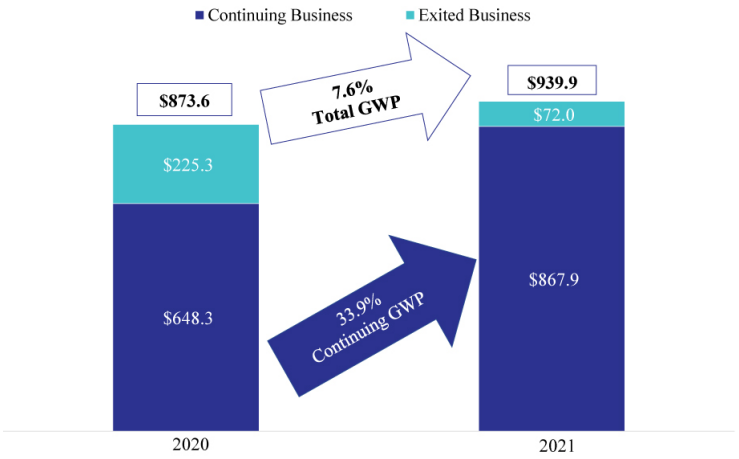
In addition to the underwriting divisions listed above (which we refer to as our "continuing business"), in the nine months ended September 30, 2022, and prior we wrote premiums in certain markets and lines of business that we have since exited and placed into run-off following a determination that they did not fit our "Rule Our Niche" strategy. For example, in the year ended December 31, 2020, we initiated a review of our business lines leading to our exiting specialty workers' compensation, lawyers' professional liability, automobile dealers programs, insurance agents and brokers professional liability, title agents professional liability, commercial auto for the timber industry and liability solutions for the hospitality industry. We refer to these lines and businesses, along with others we previously exited, as our "exited business." Gross written premiums in "exited business" was $4.4 million and $65.1 million for the nine months ended September 30, 2022 and 2021, respectively, representing 0.5% and 9.1% of our total gross written premiums for each of these periods.

Gross written premiums in "exited business" was $72.0 million and $225.3 million for the years ended December 31, 2021 and 2020, respectively, representing 7.7% and 25.8% of our total gross written premiums for each of these years.

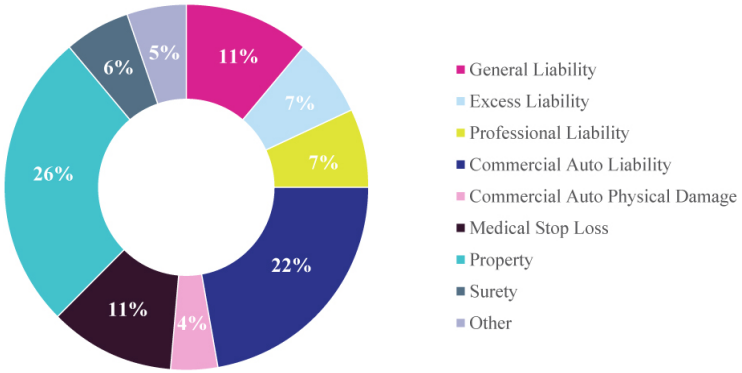
The distribution and growth of gross written premiums between exited business and continuing business for the nine months ended September 30, 2022 and 2021 are shown below *($ in millions)*.



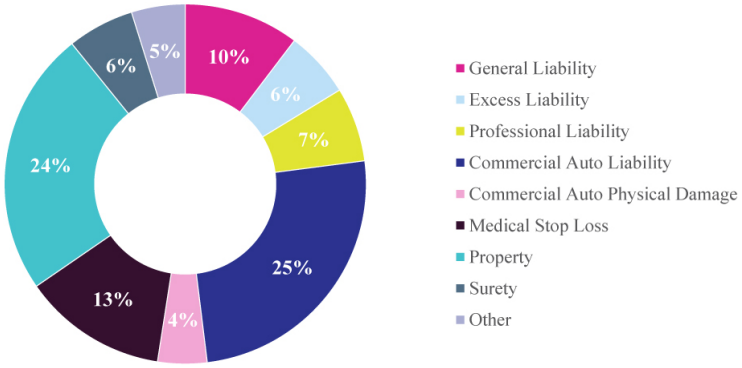
The distribution and growth of gross written premiums between exited business and continuing business for the years ended December 31, 2021 and 2020 are shown below *($ in millions)*.



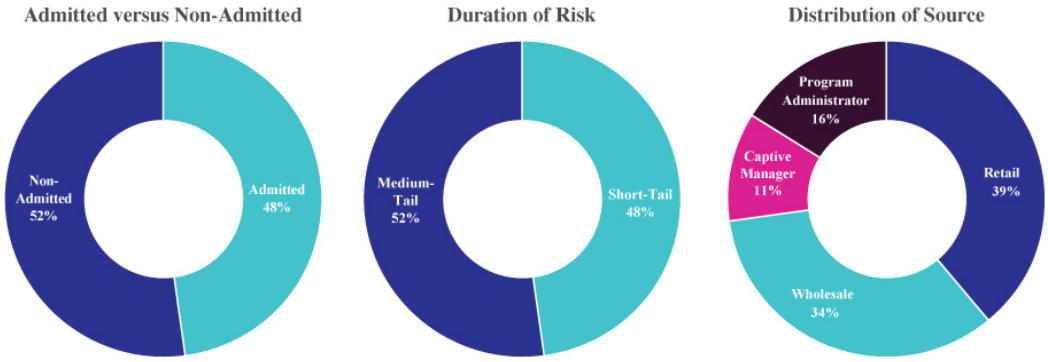
The following graphic depicts the percentage distribution of gross written premiums for continuing business by line of business for the nine months ended September 30, 2022.



The following graphic depicts the percentage distribution of gross written premiums for continuing business by line of business for the year ended December 31, 2021.



The following charts outline the percentage of gross written premiums for continuing business on an admitted and non-admitted basis, by duration of risk (Short Tail, which is generally less than two years versus Medium Tail, which is generally greater than two years), and by distribution source for the nine months ended September 30, 2022.



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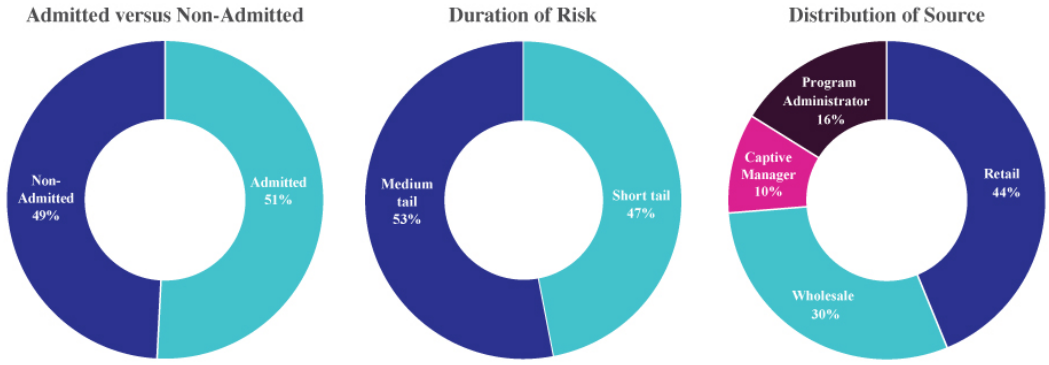


We believe that our claims operations are a key competitive differentiator. Aligning with our focus on specific customer segments and niches, our claims management teams are highly specialized to ensure that they can apply their expertise in handling claims for each niche we serve. Our claims operations are primarily staffed by Skyward Specialty employees, allowing us to maintain full control of the claims-handling process, meet our high-quality standards, and manage our losses and LAE. During the nine months ended September 30, 2022, we handled 74.3% of our claims in-house, measured as percentage of gross reported losses. In the limited instances where we do not handle claims in-house, we utilize claims adjusters through TPAs. Specifically, we utilize these TPAs for a select set of captives and programs for which the TPA possesses specific expertise that we would not seek to replicate. We also utilize these TPAs for the workers' compensation line of business, given the specific geographical knowledge that is required to adjudicate these claims.

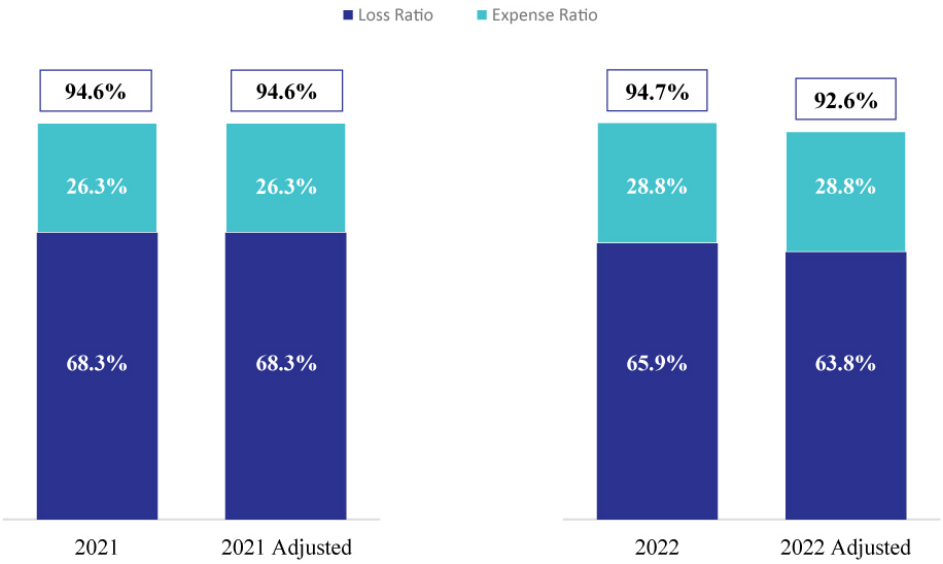
We strategically purchase reinsurance from third parties which enhances our business by protecting capital from severity events (either large single event losses or catastrophes) and volatility in our earnings. As of September 30, 2022, 98% of our reinsurance recoverables were either derived from reinsurers rated "A-" (Excellent) by A.M. Best, or better, or were collateralized for our reinsurance recoverable by the reinsurer. We treat our reinsurers as long-term partners. As such, we target underwriting profitability on a gross basis before utilization of reinsurance to ensure consistent support from our reinsurance partners and to protect ourselves from changes in the reinsurance market. Our reinsurance includes quota share, facultative, and excess of loss coverages. Based upon our modeling, it would take an event beyond our 1 in 250-year PML to exhaust our $25.0 million property catastrophe coverage. Additionally, we seek to expose no more than 3.0% of our stockholders' equity to a catastrophic loss that is less than a 1 in 250-year event.

We believe a strong balance sheet is foundational to our ability to deliver superior financial performance and returns as it underpins our distribution partners' and customers' confidence in our business. Our insurance

liabilities consist of losses and LAE reserves including case reserves and IBNR. To illustrate our reserve strength, our net IBNR reserves as a percentage of total net losses and LAE reserves was 62.2% as of September 30, 2022, up from 60.0% as of December 31, 2021, and up from 57.3% as of December 31, 2020. A centerpiece of our strong balance sheet is our rigorous reserving practices designed and overseen by experienced claims professionals and actuaries. Since 2020, we have focused on materially strengthening both the quality of our claims team and the processes and guidelines by which case reserves are set and managed. In this regard, our entire claims team works diligently to identify and recognize loss exposures as early as possible in the claims-handling process. For example, our reserving guidelines direct our adjusters to use their best estimate to set liability reserves to an expected ultimate loss within 90 days of first notice of loss.

Similarly, we have invested considerably in our actuarial team, increasing the number of members of our actuarial team by fifty percent (50%) since January 1, 2020. The actuarial team has monthly meetings with each of the underwriting divisions and our claims professionals, to discuss trends inclusive of, loss frequency, severity, rate and retention by class and line of business. Additionally, we put in place rigorous risk oversight measures including the formation of a reserve committee that meets twice a quarter. We measure each of the key loss metrics by policy year against prior policy years at the same development ages to ensure the business is performing as expected.

Additionally, in 2020, we entered into an LPT agreement covering policy years 2017 and prior to limit our exposure to potential loss reserve development on the covered business produced during those years. The LPT agreement covers the majority of our exited business. This protection has allowed our management team to focus on our continuing business which we believe provides the best path for continued profitable growth. The following graphic depicts the Loss Ratios, Expense Ratios and Combined Ratios for the nine months ended September 30, 2022 versus September 30, 2021 on a reported and adjusted basis. See the section entitled “Business — Reserves” for additional information on the LPT agreement.



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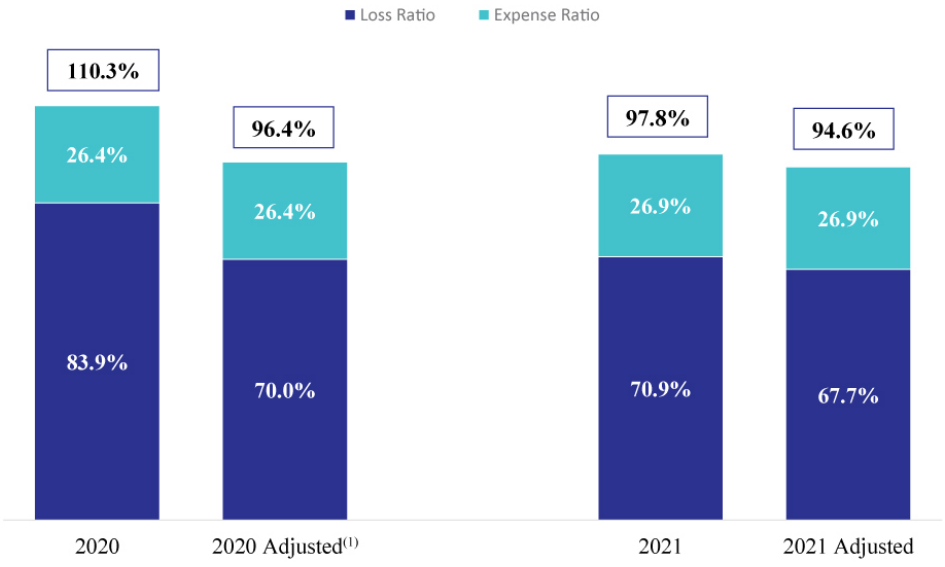


(1) Non-GAAP financial measure. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operation — Reconciliation of Non-GAAP Financial Measures" for a reconciliation of the non-GAAP financial measures in accordance with GAAP.

We believe our recent underwriting results begin to highlight the impact these initiatives have had on our business and position us to deliver consistently attractive underwriting results across P&C market cycles.

We complement our strong reserve position with a conservative investment portfolio overseen by our Investment Committee. Our portfolio is mainly comprised of cash and cash equivalents and investment-grade fixed-maturity securities, supplemented by additional investments that fit our risk appetite, principally higher yielding direct lending strategies and equities. Other investments, while typically not rated securities, are generally lower volatility fixed income loans and securities that we believe provide us with risk-adjusted returns above what is achievable in liquid investment grade markets. We call this part of our investment portfolio Opportunistic Fixed Income. Our fixed maturity securities, including both core fixed income and opportunistic fixed income, together comprising 72.9% of our total investments and cash as of September 30, 2022, had a weighted average effective duration of 3.2 years as of September 30, 2022, and an average fixed income credit rating of "AA" (Standard & Poor's) as of September 30, 2022.

We seek to maintain an "A-" (Excellent) or better financial strength rating with A.M. Best, which we carry today with a stable outlook. This is the fourth highest of 16 ratings assigned by A.M. Best to insurance companies. Maintaining a strong rating from A.M. Best helps us demonstrate our financial strength to policyholders and distribution partners, which we believe is a critical factor in the decision to purchase insurance.

Our Competitive Strengths

We believe that our competitive strengths include:

Focus on profitable niches of the market that require technical underwriting and claims management as barriers to entry.

We believe that the niche areas of the commercial lines P&C markets we have selected are a highly attractive subset of the P&C insurance market and present an opportunity to generate attractive risk-adjusted returns. We actively target markets that are underserved, dislocated or for which standard, commoditized products are insufficient or inadequate to meet the needs of our customers. The unique characteristics of the risks within our core markets require each account to be efficiently and individually underwritten, in order for us to generate an acceptable, sustainable underwriting profit. Many carriers have chosen to reject businesses

that they deem to be too complex, or that requires thoughtful individual underwriting; or, alternatively, have focused on simple small account risks for which more automated underwriting can be effective. Instead, we have chosen to build our underwriting divisions around deeply experienced underwriters who we empower with appropriate authority to make underwriting decisions. This structure enables us to offer innovative and unique products and solutions to our distribution partners and customers, regardless of how challenging or complex a risk may be. Further, we augment our underwriters' experience with data and predictive analytics that are intended to differentiate risk selection and pricing decision-making while enhancing efficiency. We believe our adjusted combined ratio of 92.6% for the nine months ended September 30, 2022 and 94.6% for the year ended December 31, 2021 are evidence of our underwriting profitability potential in the lines of business we target.

Highly skilled underwriters.

We focus on hiring underwriting and technical staff who help differentiate our company through their expertise and experience. Our underwriting teams are knowledgeable, experienced, and empowered — characteristics which are critical to operate successfully in the markets we serve, especially since many of the risks we underwrite are particularly difficult to automate. We do not impose strict underwriting rules (i.e., we are not "box" underwriters), but rather allow our professionals the freedom to use their expertise and judgment when evaluating and pricing risks. Simply put, we give our people the tools and appropriate authority to make decisions and do what they do best — profitably underwrite complex risks.

Superior Claims Staff and Operations.

We have cultivated a best-in-class and highly specialized team of claims professionals who are highly knowledgeable about the niches we serve the lines of business we write. Our claims professionals systematically address first party claims with fair and equitable solutions and third-party claims with holistic and comprehensive responses, in each case seeking to ensure consistent and early loss recognition of indemnity and LAE.

When a claim is reported, we respond quickly, with specialized adjusters, who are armed with expertise, advanced technology and analytics, to assist them in the claims resolution process. We embed technology deeply into our claims process and leverage our technology-enabled platform and tools from first notice of loss to investigation to settlement. Our analytics capabilities used by our senior leadership and claims teams include real-time, detailed information on open claims and benchmarks against closed claims. We believe that our industry expertise, nimble culture, and technology-embedded claims processes enables us to reach fair and appropriate claims outcomes for our customers.

Superior business intelligence platform.

SkyBI, our business intelligence platform, focuses on providing our senior leadership, as well as our technical teams, with real-time intelligence to drive superior decision making. SkyBI reflects the best practices our management team has learned from its extensive experience across the P&C insurance and technology sectors. We developed SkyBI, our single, comprehensive enterprise-wide data repository, as our foundation for reporting, business intelligence, analytics, and other advanced data capabilities. It provides our organization information and performance metrics across the Company in an easy-to-consume visualized format. The data can be filtered by many categories, including distributor, customer segment, line of business, specific industry, individual underwriter, and specific risk feature among others. SkyBI aids in establishing clear line of sight to objectives as well as facilitating our decision-making processes.

Advanced technology and new risk data for underwriting and claims.

We fundamentally believe that every underwriting and claims decision can be augmented with the use of new types of risk data and advanced technology. While our underwriting decisions are backed by reliable historical data and in-depth evaluation of risks resulting from intentional investment in data collection and processing capabilities, we amplify our underwriting and claims prowess by combining this data with new forms of risk data and predictive analytics. Examples of our utilization of technology include our use of SkyDrive in our Specialty Trucking unit and deployment of data collection and analytics in our A&H line described in the section entitled "— Our Business" above.

Diversified business that allows us to respond to, and capitalize on, changes in market conditions across P&C cycles.

We have been successful in building a diversified group of underwriting divisions spanning multiple product lines, industries, geographies and distribution channels. We aim to evolve with, and adapt to, the market growing certain lines of business when market conditions are favorable and limiting our exposure to certain markets when conditions are less favorable. For the nine months ended September 30, 2022 for continuing business, (i) we wrote premiums spanning eight underwriting divisions, including three with more than $100 million of gross written premiums, with three more expected to reach this threshold by year end, (ii) our mix of gross written premiums by line for continuing business was 48% short tail and 52% medium tail, and (iii) our gross written premiums for continuing business were 48% admitted lines and 52% non-admitted lines. We believe the diversity of our book allows us to respond to, and capitalize on, market opportunities and dislocations across P&C insurance market and pricing cycles resulting in a durable insurance franchise. We believe our expansion in our Professional Lines underwriting division, Transactional E&S Lines underwriting division, and Surety underwriting division, (for a combined total of $44.3 million of GWP in 2020 to $168.5 million of GWP as of September 30, 2022) are representative examples of our ability to successfully capitalize on market conditions and opportunities that align with our strategic objectives and fit within our risk appetite.

Attractive and winning culture.

As evidenced by our internal surveys and public information such as that available on Glassdoor and LinkedIn, we have built a distinctive winning culture. Key to our culture and operating approach is a flat structure of communication and decision-making. We trust our staff to make decisions that produce or exceed our desired financial results, and we support our staff with a clear system of measurement to gauge performance. Our use of advanced technology to enhance, but not replace, our underwriting and claims teams' decision-making is both practical and a source of value to our professionals. We pride ourselves on maintaining an entrepreneurial environment that encourages and rewards a proactive approach to capitalize on market disruption. This environment is not only consistent with our identity as a specialty insurer but also a foundation for our success in attracting great talent and our objective of delivering best-in-class results.

High-quality, experienced leadership team that is aligned with our shareholders.

Led by our CEO, Andrew Robinson, we have an experienced, innovative and entrepreneurial executive leadership team with a track record of success in senior management roles at industry leading property and casualty companies as well as in starting and building new businesses in our industry. Our team has an average of 27 years of experience in nearly all facets of the P&C insurance sector including underwriting, claims, technology, investment management, risk management, finance, actuarial and operations.

Prior to assuming the role as our CEO in May 2020, Mr. Robinson was the President of Specialty, EVP Corporate Development and Chief Risk Officer at The Hanover Insurance Group, Inc. During his 10 plus year tenure at The Hanover Insurance Group, Inc., Mr. Robinson established its specialty business segment, building it into a business with more than three quarters of a billion dollars in gross written premiums. Immediately prior to joining Skyward Specialty, Mr. Robinson served as executive-in-residence for venture and growth equity firm Oak HC/FT Partners, giving him significant exposure to numerous fintech and technology companies and related investment opportunities, including a period as Chairman and Co-CEO of one portfolio company and Chairman of another portfolio company. Earlier in Mr. Robinson's career, he spent twenty years in strategy consulting including as the global insurance practice head for Diamond (now PwC) Consulting.

Our CFO, Mark Haushill, has more than 25 years of experience in the insurance industry including as a public company CFO at Argo Group International Holdings, Ltd. and American Safety Insurance Holdings, Ltd. Mr. Haushill is a certified public accountant and spent the first part of his career at KPMG. Kirby Hill, our President of Industry Solutions, Captives and Programs underwriting divisions, has more than 30 years of experience spanning multiple facets of the insurance business. Prior to joining Skyward Specialty, Mr. Hill was CEO and Co-Founder of Norwich Holding Co., a company specializing in the development, implementation and administration of commercial specialty insurance products and programs, and prior to that in various multiline underwriting positions at PMA Insurance Corporation and American International

Group, Inc. (AIG). John Burkhart, our President of Specialty Lines overseeing the Professional Lines, Surety, Transactional E&S and A&H underwriting divisions, has approximately 30 years of underwriting experience, previously as SVP & Head of Professional Lines & Industry Verticals at QBE Insurance Group Limited and Global Product Manager, Specialty Underwriting at Chubb Limited. Sean Duffy, our Chief Claims Officer and Executive Vice President, has more than 27 years of claims experience in large commercial and specialty insurance claims departments. Prior to joining Skyward Specialty, Mr. Duffy was Senior Vice President, Chief Claims Officer at OneBeacon Insurance, and also held senior claims roles at insurers Great American Insurance and Travelers. In addition, the remaining members of our senior leadership team have significant experience in their respective fields of expertise.

Our entire senior leadership's compensation is directly aligned with our shareholders. Each of our leaders have a material portion of their compensation in the form of long-term and short-term incentives tied to delivering sustainable, best-in-class underwriting returns. Select members of our executive leadership team have additional long term incentive targets tied directly to growth in book value per share. See the section entitled "Executive Compensation" for more details.

Our Strategy in Action

With everything we do — from recruiting to marketing to underwriting to loss adjusting and claims resolution — we seek to follow the core tenets of our "Rule Our Niche" strategy. This strategy is based on (i) selecting underserved market niches with attractive risk-adjusted returns for which commoditized products are inadequate to meet the needs of customers; and (ii) building sustainable defensible competitive positions in these markets with talent and technology. We believe our "Rule Our Niche" strategy will help us achieve our goal of generating best-in-class underwriting profitability for our niches while creating superior long-term shareholder value through growth in book value per share. The core tenets of our "Rule Our Niche" strategy include:

Attract and retain blue-chip underwriting and claims talent to expand and enhance our market position.

We seek to hire the most talented technical underwriting professionals who have long-standing industry relationships with distribution partners and claims professionals with expertise in the niches we write. These relationships are key to getting steady access to our preferred business. During the year ended December 31, 2021 alone, we hired 70 leading underwriters and 20 claims professionals, respectively, with an average of approximately 20 years of experience. We believe that we have become a company of choice for the best talent in our industry and, as such, we will continue to grow our market position by bringing on world-class talent in our chosen markets.

Leverage our technology DNA to further distance ourselves from the competition.

We have demonstrated a differentiated ability to utilize new forms of risk data and advanced technology within the more complex, higher severity risk categories of the specialty P&C insurance market. SkyBI gives us the ability to promptly sense and quickly respond to market changes, while our core operating platforms allow us to move into new markets efficiently and without the complexity of burdensome systems. We believe our technological advantage positions us for profitable growth and expansion into additional specialty market niches where we can establish a strong and defensible market position.

Profitably grow existing lines of business and expand with new underwriting divisions.

We believe we are well-positioned to take advantage of several trends impacting our customers in the United States and globally. One such trend is the continued rise in demand for specialized insurance solutions because of increasing risks, as well as the complexity of risks, due to climate change/increased frequency of severe weather events, supply chain uncertainty, financial inflation risk, cyber risk, emergence of novel health risks (including the COVID-19 pandemic), increased level of litigation, attorney involvement and jury awards, and healthcare delivery and cost. Another such noticeable market trend is the emergence of different types of economic cycles within the commercial P&C market. Historically, we saw what appeared to be the market moving in lockstep across all lines of business. Today, in our opinion, the market is experiencing a variety of "micro cycles and micro dislocations" where different pockets of the P&C insurance market experience hardening and softening at different times. During the year ended December 31, 2021, we demonstrated our

ability to react quickly in response to these trends by launching our Allied Health professional lines underwriting unit, entering the cannabis industry in three of our underwriting divisions, completing the acquisition of Aegis Surety, announcing a program administration technology partnership in cargo, launching two new captive solutions and adding an excess liability capability in our E&S business. We executed these expansions as part of growing gross written premiums of our continuing business from $648.3 million for the year ended December 31, 2020 to $874.7 million for the nine months ended September 30, 2022 alone. We believe this growth and profitability is indicative of our momentum and provides a powerful reference for the positioning of the company to continue to expand and grow in the markets we seek to serve.

Differentiate on daily excellence to drive best-in-class underwriting performance.

We believe that our ability to meet our long-term goals, including achieving best-in-class underwriting returns and growth in book value per share, relies on how well we execute our day-to-day operations across all of our functional departments, including but not limited to underwriting, product management, and claims management. SkyBI provides the foundation by which our senior management in our organization can monitor our performance, whether it is renewal rates, new business pricing and portfolio performance for an individual underwriter, or claims ageing and reserving practices and outcomes by claims adjusters. Our focus on the fundamentals that drive underwriting excellence is at the center of our strategy. Furthermore, our cross functional collaboration ensures that our underwriting, claims, actuarial and product management teams regularly review performance and trends so that portfolio, pricing and coverage changes can be implemented quickly.

Use our balance sheet to capture a larger part of the market we serve.

We are committed to establishing and maintaining a strong balance sheet, starting with conservative loss reserves and strong capitalization ratios. We believe this is imperative to maintain the confidence of customers, distribution partners, reinsurers, regulators, rating agencies and shareholders.

Since 2019, in addition to executing the previously noted LPT to limit our exposure to potential loss reserve development primarily associated with certain exited business, we have materially strengthened our claims case reserves practices with the aim to reserve to the expected ultimate loss within 90 days of first notice of loss. In addition, we have intentionally increased the level of IBNR reserves held above our claims case reserves to a more conservative position. Our net IBNR as a percentage of total net losses and LAE reserves was 62.2% as of September 30, 2022, up from 60.0% as of December 31, 2021, and up from 57.3% as of December 31, 2020. We believe our reserve position is now the strongest it has been in our history and positions us well for consistently strong underwriting profitability in the future.

Following this offering, we intend to contribute capital into our operating insurance companies to progress towards the size category X as set by A.M. Best, which is defined as companies having between $500 million and $750 million of adjusted policyholders' surplus. We believe this A.M. Best designation will provide us with further opportunities to expand in the markets we serve, as well as provide us with options to increase our net retentions on business we currently write.

Marketing and Distribution

Our approach to marketing and distribution mirrors our approach to underwriting and is a key facet of our "Rule Our Niche" strategy. Our underwriting teams, as well as the Company as a whole, have strong and well-established relationships with our distribution partners and equally strong reputations that provide a foundation to establish affiliations with new distribution partners. We believe we win with distribution partners because of our deep expertise in niche markets, high caliber underwriters, culture of innovation, thoughtful product line-up and product design, and speed and quality of responsiveness, among other factors. All of our underwriting divisions invest meaningful time and effort into sustaining and expanding distribution partner loyalty and long-term relationships.

Just as we tailor underwriting to the individual needs of the insureds, we tailor our choice of distribution partners to access the particular business we seek to write. Accordingly, we distribute our products, through retail agents, wholesale brokers, select program administrators, and captive managers. This approach allows us to access the business we target effectively and efficiently based on the needs and dynamics of a particular market niche.

Retail Agents and Brokers: We primarily distribute our Industry Solutions and Surety products and a portion of our Global Property products through retail agents and brokers. We seek to partner with retail agents and brokers that specialize in the niche markets we target and have an ability to produce both our desired quality and quantity of business. We believe these specialized retail agents and brokers have better visibility into their clients' needs which helps us to better customize coverages to meet those needs. No retail agent or broker represents more than 8% of our business as measured by gross premiums written for the year ended December 31, 2021.

Wholesale Brokers: We primarily market and distribute our Professional Lines, and Transactional E&S products and a portion of our Global Property products through specialist wholesale brokers, including through London market wholesale brokers. We are deliberate in partnering with leading wholesale brokers in our target markets with the experience, knowledge, and ability to produce the type, volume, and quality of business we seek to write. We write business with many of the leading wholesalers in the United States and London.

Program Administrators: We partner with select program administrators that we believe have competitive advantages in certain markets owing to their scale, underwriting, technology and/or distribution infrastructure, and who align with our strategy. We conduct thorough diligence on program administrators before entering into new partnerships to ensure alignment on underwriting and risk management. We set strict underwriting guidelines to ensure that the business produced meets our target returns. In addition, we regularly and actively monitor the performance of the business produced by our program administration partners to ensure that it is consistent with our expectations. We also impose stringent reporting and auditing requirements on our partners designed to identify any potential issues before they arise. We are not a fronting carrier and generally do not intend to generate fee income from our program partners. Currently, we have relationships with six program administrators. In all instances, we seek to align compensation of our program administration partners to meet our target underwriting profit. In two of our partnerships, we have further aligned our interests by having a minority equity ownership position and/or warrants to acquire an equity ownership position in the respective program administrators.

Captive Managers: We partner with captive managers as they serve a critical role in sourcing prospective customers, supporting the sale of the captive product, and administering the group captive. Captive Managers work directly with retail agents and brokers to ensure a prospective customer is suitable for a group captive solution and to assist the retail agent or broker in the presentation of the group captive product. The captive manager also facilitates the day-to-day needs of the captive and its members and coordinates various administrative and operating functions for the captive including compliance, financial reporting, and board meetings. In certain instances, the captive manager will pre-underwrite a prospective customer prior to submission for full underwriting review by our Captives underwriting unit. Delivery of other components of the captive product, including underwriting, claims oversight, reinsurance, and collateral management for claims are functions we perform. Close partnership on nearly all functions is critical to the successful construction and delivery of our group captive solutions.

Underwriting

Our approach to underwriting is deeply embedded in our "Rule Our Niche" strategy and is core to how we win in the market. As of September 30, 2022, we had 201 underwriters across eight underwriting divisions. Since 2020, we have added over 115 underwriters to our team, who have integrated seamlessly into our company because of prior working relationships with existing employees as well as their significant experience with the specialized line of business they are hired to underwrite. Within the eight divisions, we further specialize underwriting teams with a focus on specific niches within the markets the eight divisions serve. Kirby Hill, our President of Industry Solutions, Captives and Programs underwriting divisions, has more than 30 years of experience spanning multiple facets of the insurance business. Prior to joining Skyward Specialty, Mr. Hill was the CEO and Co-Founder of Norwich Holding Co., a company specializing in the development, implementation and administration of commercial specialty insurance products and programs, and prior to that in various multiline underwriting positions at PMA Insurance Corporation and American International Group, Inc. (AIG). John Burkhart, our President of Specialty Lines overseeing the Professional Lines, Surety, Transactional E&S and A&H underwriting divisions, has approximately 30 years of underwriting experience, previously as SVP & Head of Professional Lines & Industry Verticals at QBE

Insurance Group Limited and Global Product Manager, Specialty Underwriting at Chubb Limited. Doug Davies, our Senior Vice President of the Global Property Underwriting Division, has approximately 20 years of underwriting experience, previously with Starr Underwriting Agency Ltd., Arch Insurance Bermuda and Zurich Global Energy, in London and Bermuda.

Our underwriting approach is underpinned by hiring highly experienced, best-in-class and diverse teams of technical underwriters with established track records in specific specialty niche markets. We then amplify our underwriters' skill sets with advanced technology and data analytics and empower them with appropriate authority to make decisions. We believe this approach is key to superior risk selection and pricing, and producing sustainable best-in-class underwriting results across market cycles.

Our underwriting teams are knowledgeable, experienced, and have deep market relationships with key distribution partners in the markets we target. These characteristics are critical to operating successfully in the markets we serve since many of the risks we underwrite require customized solutions and individual risk underwriting. We do not impose strict underwriting rules on our underwriting professionals (i.e., we are not "box" underwriters), instead we allow our underwriting professionals the freedom to use their expertise and judgment when evaluating and pricing risks. Simply put, we give our people the tools and appropriate authority to make decisions and do what they do best: profitably underwrite complex risks.

We strive to augment the capabilities and experience of our underwriting professionals using new forms of data and analytics for risk selection and pricing. Our underwriting data is captured in our business intelligence platform, SkyBI. This comprehensive data repository forms the foundation of our reporting, analytics, and other data capabilities and is a key tool for our senior management team and business leaders. See the section entitled "Technology" below for more information on SkyBI.

We are highly selective in the policies we choose to bind. If our underwriters cannot reasonably expect to bind coverage at the combination of premium and coverage terms that meets our standard, we encourage them to move on quickly to other prospective opportunities.

When accepting risks, we are careful to establish terms and price that are suited to the underlying exposure. When writing in the admitted market, we endeavor to ensure that our approved forms and filed rates are appropriate and adequate for the risks we are accepting while also allowing us the flexibility to address specific and/or unique exposures. When writing in the E&S market, we use our freedom of rate and form to ensure risk and coverage are appropriate to the unique needs and exposure that are presented in this market. We endeavor to craft policies that offer affordable and appropriate protection to address our insureds' exposures while also constructing coverage such that potential losses are more predictable and claims cost can be best managed.

Underwriting teams are supported by active engagement and collaboration with our Claims, Actuarial, Product Management, Legal and Compliance and Finance departments so that trends in the business, legal and tort developments, and competitor and regulatory actions are analyzed, shared, and acted upon in a timely manner. We view our underwriters as the center of our company and all support functions are incented and measured to support the achievement of our underwriting profitability targets. This structure serves to surface both opportunities and issues early and forms a key part of our nimbleness and ability to take advantage of market disruptions. Finally, our underwriting controls and procedures are regularly reviewed to ensure our underwriters are acting with clear line of sight to profitably underwrite each of the markets we serve.

Overall, we believe that our best-in-class underwriting talent, our use of advanced technology and analytics to enhance our underwriting selection and pricing, as well as our orientation to surround our underwriters with support from other functional areas to act on opportunities and respond to potential disruption is a unique composition of capabilities to "Rule Our Niche" in each of the markets we serve.

Claims Management

At September 30, 2022, our claims department consisted of 79 claims professionals who have an average of more than 10 years of claims experience in the traditional P&C and various specialty lines of business. Since 2020, we have added over 45 claims professionals to our team. Our Chief Claims Officer and Executive Vice President, Sean Duffy, has over 27 years of claims experience in large commercial and specialty insurance

claims departments. Prior to joining us, Mr. Duffy was the Senior Vice President, Chief Claims Officer for OneBeacon Insurance. Our claims department is fully integrated with our underwriting, actuarial, reinsurance and other functional departments in order to make thoroughly informed decisions about claims matters. During the year ended December 31, 2021, we handled 74.3% of our claims in-house, measured as percentage of gross reported losses. In the limited instances where we do not handle claims in-house, we utilize TPAs. Specifically, we utilize TPAs for a select set of captives and programs for which the TPA possesses specific expertise that we would not seek to replicate. We also utilize TPAs for our workers' compensation line of business, given the specific geographical knowledge that is required to adjudicate these claims. Our internal claims managers actively oversee TPA activities and monitor their individual claim handling activities to our prescribed service levels and standards. In addition, our claims department works closely with our underwriting teams to keep them apprised of claims trends and provide feedback to our underwriters on emerging areas of loss experience.

Our claims department is guided by the following principles: (1) prompt and comprehensive claim investigations, considering all aspects of each loss, and using advanced analytics and technology to improve efficiency, accuracy and speed of response; (2) providing our customers with quality claims handling service while engaging customers through the entire claims resolution process; (3) promptly establishing reserves reflective of our best estimate of ultimate loss; (4) effectively pursuing contribution and subrogation on every claim; (5) detecting and preventing fraud activity throughout the claims handling process using a variety of existing tools and new technological processes; and (6) disciplined litigation management to provide our customers with a superior legal defense while closely monitoring legal costs.

When a claim is reported, we respond quickly with experienced, specialized adjusters utilizing advanced technology and analytics to assist them in the claims resolution process. We embed technology deeply into our claims process and leverage our technology-enabled platform and tools from first notice of loss to investigation to settlement. For example, we have retained an industry leading technology vendor to enable us to complete prompt and efficient virtual auto physical damage approvals and to make corresponding loss payments.

Our analytics capabilities used by our senior leadership and claims teams include real-time, detailed information on open claims and benchmarks against closed claims. We believe that industry expertise, nimble culture and technology-embedded claims processes enable us to reach fair and appropriate claims outcomes for our customers.

Moreover, when our insureds are sued or presented with a claim against them, we retain specialized independent legal counsel to defend and represent them. We vet both individual attorneys, and their law firms, to ensure they have the experience and expertise required to defend our insureds effectively and efficiently. We have developed carefully crafted litigation guidelines for both our claims processionals and our outside counsel to ensure that counsel is providing the appropriate defense to our insureds. To ensure that defense costs are reasonable, customary and standard within the respective attorneys' geography and practice area, we review legal invoices to confirm case handling and billing practices fall within our retainer agreement with the law firm.

We have invested heavily in technology in all aspect of our claims from first notice of loss through claims settlement. Like underwriting data, our claims data is captured in SkyBI for reporting and analytics. We have also sought to innovate our claims processes to reduce loss costs. By way of example, for commercial auto, we have implemented "quick strike" response to claims events that deploys an experienced investigator at the scene of an accident within two hours of the event, regardless of the location, to access, and if appropriate, to resolve quickly any third-party claims. Similarly, we are piloting the use of artificial intelligence to signal fraud, early indicators of propensity for legal representation by third party claimants, and to route claims at first notice of loss based on potential severity.

Technology

Our technology is at the heart of everything we do and every decision we make, helping us to win over the long-term. We deploy technology across our organization to drive competitive advantages in three primary functional ways:

1. ***Superior Business Intelligence Platform.*** SkyBI, our business intelligence platform, focuses on

providing our senior leadership, as well as our technical teams, with real-time intelligence to drive superior decision making. SkyBI reflects the best practices our management team has learned from its extensive experience across the P&C insurance and technology sectors. We developed SkyBI, our single, comprehensive enterprise-wide data repository, as our foundation for reporting, business intelligence, analytics, and other advanced data capabilities. It provides our organization information and performance metrics across the Company in an easy-to-consume visualized format. The data can be filtered by many categories, including distributor, customer segment, line of business, specific industry, individual underwriter, and specific risk feature among others. SkyBI aids in establishing clear line of sight to objectives as well as facilitating our decision-making process.

2. ***Predictive Analytics Technology.*** We strive to augment the capabilities of our employees daily using new forms of risk data and the use of predictive analytics including artificial intelligence for risk selection, pricing and claims handling. Within every underwriting division, our actions are intentional to "Rule Our Niche." We aim to innovate constantly, and our actions are specific to each of the divisions/markets we serve. Examples include SkyDrive and SkyVantage.

3. ***Core Transactional Platforms.*** Our core operating platforms, including our policy administration, billing and claims systems, are intentionally designed to enable nimble scaling and expansion of our business. We generally use, third-party vendor developed core operating applications that we have customized for our company. Our core platform organization is used for all business except for Accident & Health, Global Property and Surety as the unique features of these underwriting divisions require select dedicated core processing components. Data gathered from our core operating platforms from all divisions flows to our SkyBI platform with comparable data quality and granularity regardless of underwriting division.

Our use of advanced technology for underwriting and claims, SkyBI and core operating platforms provide our business with a flywheel effect allowing our underwriters to better select risk, our claims professionals to better adjudicate claims, our unit leaders to better communicate with reinsurance and third-party partners, and our senior leadership team to better evaluate trends in our business. These tools also have the added advantage of allowing us to communicate with our distribution partners, reinsurers, and other third-party partners more accurately, effectively, and efficiently.

Like other companies, we face external threats to our information technology systems, including the possibility of system failure, attempts to steal our customer data, and ransomware attacks. We designed our technology infrastructure to function through almost any major disruption. We replicate our data in real time to a third-party cloud disaster recovery site for use in the event of a major system failure. We also back-up our data daily for system restoration if needed. Additional actions we take to prevent disruptions to our systems and data include: actively monitoring Cybersecurity and Infrastructure Security Agency's (CISA) cybersecurity directives, taking immediate action on any vulnerability identified in a directive; conducting monthly vulnerability scans on all network attached devices, at all locations, with patching applied whenever needed; requiring two-factor authentication for access to any of our systems; conducting monthly security training for all employees; implementing endpoint detection agents for threat detection and response; performing desktop scenarios to practice responses to breaches involving our cybersecurity insurance partners and retained security consultants; and performing annual penetration testing. We constantly review our security breach posture and regularly implement updated processes, best practices and tools.

Reinsurance

We strategically purchase reinsurance from third parties which enhances our business by protecting capital from severity events (either large single event losses or catastrophes) and reducing volatility in our earnings. Our reinsurance contracts are predominantly one year in length and renew annually throughout the year, primarily in January and June. At each annual renewal, we consider several factors that influence any changes to our reinsurance purchases, including any plans to change the underlying insurance coverage we offer, updated loss activity, the level of our capital and surplus, changes in our risk appetite and the cost and availability of reinsurance treaties.

We purchase quota share reinsurance, excess of loss reinsurance, and facultative reinsurance coverage to limit our exposure from losses on any one occurrence. The mix of reinsurance purchased considers efficiency, cost, our risk appetite and specific factors of the underlying risks we underwrite.

- ***Quota share reinsurance*** refers to a reinsurance contract whereby the reinsurer agrees to assume a specified percentage of the ceding company's losses arising out of a defined class of business in exchange for a corresponding percentage of premiums, net of a ceding commission.
- ***Excess of loss reinsurance*** refers to a reinsurance contract whereby the reinsurer agrees to assume all or a portion of the ceding company's losses for an individual claim or an event in excess of a specified amount in exchange for a premium payable amount negotiated between the parties, which includes our catastrophe reinsurance program.
- ***Facultative coverage*** refers to a reinsurance contract on individual risks as opposed to a group or class of business. It is used for a variety of reasons, including supplementing the limits provided by the treaty coverage or covering risks or perils excluded from treaty reinsurance.

The following is a summary of our reinsurance programs as of September 30, 2022:

Line of Business	Maximum Company Retention
Accident & Health	$0.75 million per occurrence
Commercial Auto[(1)]	$1.0 million per occurrence
Excess Casualty[(1)(2)]	$2.35 million per occurrence
General Liability[(1)]	$2.0 million per occurrence
Professional Lines[(2)]	$2.4 million per occurrence
Property[(3)]	$2.0 million per occurrence
Surety[(2)]	$3.0 million per occurrence
Workers' Compensation[(2)]	$1.55 million per occurrence

(1) Legal defense expenses can force exposure above the maximum company retention for Excess Casualty, Commercial Auto and General Liability.

(2) Reinsurance is subject to a loss ratio cap or aggregate level of loss cover that exceeds a modeled 1:250-year PML event.

(3) Catastrophe loss protection is purchased up to $25.0 million in excess of $10.0 million retention, which provides cover for a 1:250-year PML event.

For the year ended December 31, 2021, property insurance represented 20.2% of our gross written premiums. We actively manage and continuously monitor our aggregation of property writings by geographic area to limit our potential for aggregation of loss resulting from severe events such as hurricanes, convective storms, and earthquakes. We buy catastrophe reinsurance to further mitigate an aggregation of property losses due to a single event or series of events. To inform our purchase of catastrophe reinsurance, we use third-party stochastic and our own deterministic models to analyze the risk of aggregation of losses from such events. These models provide a quantitative view of PML events, which is an estimate of the level of loss we would expect to experience once in a given number of years (referred to as the return period). Based upon our modeling, it would take an event beyond our 1 in 250-year PML to exhaust our $25.0 million property catastrophe coverage. Additionally, we seek to expose no more than 3.0% of our stockholders' equity to a catastrophic loss that is less than a 1 in 250-year event. We believe our current reinsurance program provides coverage well in excess of our theoretical losses from any recorded historical event.

In the event of a catastrophe that impacts our reinsurance contracts, a portion of our reinsurance program includes the right to pay additional premium to reinstate reinsurance limits for potential future recoveries during the same contract year and preserve our limit for subsequent events. This payment for subsequent event coverage is known as a "reinstatement."

In addition to our reinsurance programs for our continuing business, during 2020, we entered into a LPT retroactive reinsurance agreement with a third-party reinsurer domiciled in Bermuda for liabilities (including claim payments, allocated losses and LAE reserves and certain extra-contractual obligations) related to certain policies issued or assumed for policy years 2017 and prior so as to limit the volatility associated with the business written during those years. As of the Valuation Date, we ceded approximately $153.1 million of Net LPT Reserves. As of the Valuation Date, the LPT provided cover of approximately $127.4 million above Net

LPT Reserves, subject to co-participation at specific amounts. As of September 30, 2022, our reinsurance recoverables from our LPT amounted to $42.8 million. See the section entitled "Business Section — Reserves" for more information.

Certain ceded reinsurance contracts, which we determined do not transfer significant insurance risk, are accounted for using the deposit method of accounting. See the section entitled "Management's Discussion and Analysis — Critical Accounting Policies and Estimates — Reinsurance" for more information regarding the deposit method of accounting.

For the years ended December 31, 2021 and 2020, our net premium retention, defined as the ratio of net premiums written divided by gross written premiums, was 56.3% and 52.8%, respectively.

We seek to purchase reinsurance from reinsurers that are rated at least "A-" ("Excellent") or better by A.M. Best. As of September 30, 2022, 98% of our reinsurance recoverables were either derived from reinsurers rated "A-" (Excellent) by A.M. Best, or better, or were collateralized for our reinsurance recoverable by the reinsurer. While we only select reinsurers whom we believe to have acceptable credit and A.M. Best ratings, if our reinsurers are unable to pay the claims for which they are responsible, we ultimately retain primary liability to our policyholders. Hence, failure of the reinsurer to honor its obligations could result in losses to us, and therefore, we establish allowances for amounts considered uncollectible. At December 31, 2021 and 2020, there was no allowance for uncollectible reinsurance.

The following table sets forth our most significant reinsurers by amount of reinsurance recoverables and the amount of reinsurance recoverables pertaining to each such reinsurer as of September 30, 2022 as well as A.M. Best rating as of December 31, 2021:

Reinsurer	Reinsurance Recoverables as of September 30, 2022 ($ in thousands)	AM Best Rating as of December 31, 2021
Everest Reinsurance Co.	164,747	A+
eCaptive PC1-IC (and PC2-IC), Inc.[(1)]	69,768	Unrated
Randall & Quilter (R&Q Bermuda (SAC) Ltd)[(2)]	42,789	Unrated
RGA Reinsurance Company	29,303	A+
Swiss Reinsurance America Corp	23,074	A+
Hannover Ruckversicherung AG	13,809	A+
Scor Reinsurance Co.	12,269	A+
Munich Reinsurance America Inc.	11,847	A+
ACE (Chubb Property and Casualty Insurance Company)	11,493	A+
Arch Reinsurance Co.	10,241	A+
Top 10 Total	**389,340**	
All Others	153,555	
Total	**542,895**	

(1) This reinsurer facilitates our eMaxx captive; we hold collateral in a statutory trust of $95.3 million on our reinsurance recoverables as of September 30, 2022.

(2) This reinsurer facilitates our LPT reinsurance agreement; we maintain the right of offset of our recoverables for premiums we owe to the reinsurer, we held collateral in a statutory trust of $32.1 million on our net reinsurance recoverables as of September 30, 2022.

For a further discussion of our reinsurance, see the section entitled "Management's Discussion and Analysis of Financial Conditions and Results of Operations — Reinsurance."

Enterprise Risk Management

Our enterprise risk management ("ERM") is embedded in nearly every aspect of our company and guides our day-to-day activities. At the highest level, our approach to ERM is to ensure we achieve an acceptable risk

adjusted return for our shareholders; as such we are intentional in our underwriting and asset portfolio construction. As an example, we aim to balance liability duration of our underwriting portfolio, and we use reinsurance to manage volatility from a single loss and for cumulative losses tied to a single event or series of events. Our investment strategy is similarly set out to have a diversified target portfolio that balances portfolio yield, liquidity, volatility, and potential for principal loss.

Our Chief Risk Officer oversees several critical ERM processes as well as chairing our cross-functional corporate ERM Committee. We formalize our own view of risk and solvency in terms of potential economic loss using our Economic Capital Model ("ECM"). We use the output of our ECM to measure potential earnings and capital loss for a range of scenarios. These outputs are measured against risk tolerances that are set out and updated annually by the ERM Committee and approved by the Audit Committee of our Board. More specifically, our ECM provides a probabilistic modeled view of earnings and capital loss that brings together the potential loss from catastrophes, reserving, underwriting, market, credit risk, strategic and operational risks.

Aside from maintaining our ECM and overseeing our risk tolerance framework, our Chief Risk Officer works with our ERM Committee to review and maintain a comprehensive risk register with accountabilities to ensure appropriate mitigations are in place and are monitored for any change. The top 10 risks are further identified and quantified by the Chief Risk Officer and the ERM Committee and reviewed every quarter. The Chief Risk Officer and the ERM Committee submit these reports to the Audit Committee on a regular basis.

We construct our operational processes and controls with a view to identify, assess and manage key risks on an ongoing basis. For example, our Underwriting Committee is responsible for overseeing standard letters of authority, underwriting audits, changes in risk appetite, and product line and division expansion. Within Claims, we diligently monitor our claims handling practices against guidelines through regular internal audits, conduct monthly large loss reviews, and maintain and monitor a watchlist of potential high severity claims. Within Actuarial, we perform quarterly reserve studies, and our Reserve Committee meets twice each quarter to review and respond to trends in loss emergence. Any key observations are subsequently discussed with the CEO. Monthly and quarterly our underwriting divisions assess rate change and retention on existing business, new business quality and pricing adequacy, and loss emergence as compared to expected. Our SkyBI platform provides real-time portfolio, underwriting, claims and actuarial analytics which is critical to ensuring that the above processes achieve the desired outcome.

Altogether, our Enterprise Risk Management is at the center of our decision making and our day-to-day activities. It is a central component to our strategy to achieve market leading risk adjusted returns for our shareholders.

Reserves

We maintain reserves for specific claims incurred and reported, IBNR reserves and reserves for uncollectible reinsurance when appropriate. Our ultimate liability may be greater or less than the current reserves. In the insurance industry, there is always the risk that reserves may prove inadequate. We continually monitor reserves using new information on reported claims and a variety of statistical analyses. Anticipated inflation is reflected implicitly in the reserving process through analysis of cost trends and the review of historical development. We do not discount our reserves for losses and LAE to reflect estimated present value.

When a claim is reported, we establish a case reserve for the estimated amount of the ultimate payment after an appropriate assessment of coverage, damages and other investigation as applicable. The estimate is based on our reserving practices and on the claims adjuster's experience and knowledge of the nature and value of the specific type of claim. Case reserves are revised periodically based on subsequent developments associated with each claim. See the section entitled "Business — Claims Management" for more information.

We establish IBNR reserves in accordance with industry practice to provide for (i) the estimated amount of future loss payments on incurred claims not yet reported, and (ii) potential development on reported claims. IBNR reserves are estimated based on generally accepted actuarial reserving techniques that take into account quantitative loss experience data and, where appropriate, qualitative factors.

We regularly review our loss reserves using a variety of actuarial techniques. We also update the reserve estimates as historical loss experience develops, additional claims are reported and/or settled and new

information becomes available. Additionally, our loss reserving is reviewed annually for reasonableness by a reputable third-party actuarial firm. A reserve can be increased or decreased over time as claims move towards settlement, which can impact earnings in the form of either adverse development or reserve releases.

The following table presents the development of our loss reserves calculated in accordance with GAAP, as of December 31 for each year.

Net Ultimate Loss and ALAE					
($ in thousands)	Calendar Year			Development	
Accident Year	2019	2020	2021	2019 to 2020	2020 to 2021
Prior	$1,329,014	$1,390,905	$1,418,885	$ 61,891	$27,980
2019	257,469	245,131	243,851	(12,338)	(1,280)
2020	N/A	291,139	292,439	N/A	1,300
2021	N/A	N/A	323,697	N/A	N/A
Total Reserve Development				**$ 49,553**	**$28,000**
Reserve Development on losses subject to LPT				49,013	28,000
Reserve Development on losses excluding losses subject to LPT				**$ 540**	**$ —**

We present our loss development on a consolidated basis, however, we evaluate net ultimate loss and LAE under three sub-categories: multi-line solutions, short tail/monoline specialty lines and exited lines. Multi-line solutions includes those market niches for which we provide multiple products most frequently as an integrated solution, The multi-line solution subcategory is made up predominantly of occurrence liability including general liability, excess liability, and commercial auto, in aggregate has a longer duration for losses to fully develop and is comprised of our Industry Solutions, Transactional E&S, Programs and Captives underwriting divisions. Short tail/monoline specialty lines includes those market niches we serve with monoline solutions which generally have shorter durations for losses to fully develop and is comprised of our Global Property, A&H, Surety and Professional Lines underwriting divisions. Exited lines includes all underwriting divisions which we have placed in run-off. See the section "Financial pages — Losses and Loss Adjustment Expenses" footnote for additional information on loss reserves and development.

During the year ended December 31, 2021, our net incurred losses and LAE, including losses and LAE subject to the LPT, for accident years 2020 and prior developed unfavorably by $28.0 million. This unfavorable development was driven by $28.8 million of unfavorable development in exited lines and $4.8 million of unfavorable development in multi-line solutions, partially offset by $5.6 million of favorable development in short tail/monoline specialty lines.

Within exited lines, unfavorable development of $28.8 million was primarily related to 2013, 2015, and 2018 accident years and predominantly driven by increases in both frequency and severity of losses in general liability. Within multi-line solutions, unfavorable development of $4.8 million was primarily related to 2016 and 2017 accident years and was driven by increased frequency and severity of claims in commercial auto. Within short tail/monoline specialty lines, favorable development of $5.6 million was primarily related to 2019 and 2020 accident years and was driven by favorable loss emergence relative to actuarial expectations in property and accident & health product areas.

During the year ended December 31, 2021, excluding losses subject to the LPT, we reported zero net development on incurred losses and LAE for accident years 2020 and prior, driven by favorable development of $3.0 million primarily related to short tail/monoline specialty lines in accident years 2019 and 2020, offset by unfavorable development of $3.0 million primarily related to multi-line solutions in accident years 2018 and prior.

During the year ended December 31, 2020, our net incurred losses for accident years 2019 and prior developed unfavorably by $49.6 million. This unfavorable development was driven by $45.9 million of unfavorable development in exited lines and $18.2 million of unfavorable development in multi-line solutions, partially offset by $14.6 million of favorable development in short tail/monoline specialty lines.

Within exited lines, unfavorable development of $45.9 million was primarily related to 2016 through 2018 accident years and driven by unfavorable loss emergence relative to actuarial expectations of general liability. Within multi-line solutions, unfavorable development of $18.2 million, was primarily related to 2016 and 2017 accident years and driven by increased frequency and severity of claims in commercial auto. Within short tail/monoline specialty lines, favorable development of $14.6 million was primarily related to 2019 accident year and was driven by favorable loss emergence relative to actuarial expectations in property.

During the year ended December 31, 2020, excluding losses subject to the LPT, our net incurred losses for accident years 2019 and prior developed unfavorably by $0.5 million, driven by unfavorable development of $12.8 million primarily related to multi-line solutions and exited lines in accident years 2018 and prior, offset by favorable development of $12.3 million primarily related to short tail/monoline specialty lines in the 2019 accident year.

Loss Portfolio Transfer

On April 1, 2020, with a valuation date of June 30, 2019, we entered into a LPT retroactive reinsurance agreement with R&Q Bermuda (SAC) Limited, a third party reinsurer domiciled in Bermuda that specializes in assuming legacy blocks of insurance business and running them off. The LPT covers liabilities (including claim payments, allocated LAE and certain extra-contractual obligations) related to certain policies issued or assumed for policy years 2017 and prior. The LPT agreement covers the majority of our exited business. We believe purchasing this coverage reduces the volatility associated with the covered business produced in 2017 and prior, and has allowed our management team to focus on the continuing business which we believe provide the best path for continued profitable growth.

As of the Valuation Date, we agreed to cede $153.1 million of Net LPT Reserves for certain lines of business, primarily related to 2017 and prior policy years, subject to an aggregate cash deductible of $105 million which was withheld from the reinsurer. Subsequent to the Valuation Date but prior to the Inception Date, we strengthened the Net LPT Reserves by $5.5 million. This development resulted in an increase in the Net LPT Reserves of $5.5 million to $158.6 million. Consequently, at the Inception Date, the cash remitted to the third party reinsurer for the cession of the Net LPT reserves was $53.6 million (reflecting the $158.6 million of Net LPT Reserves less the $105 million cash deductible).

As of the Inception Date, the LPT provided reinsurance protection of approximately $127.4 million above the Net LPT Reserves, subject to co-participations at specified amounts, detailed below. We paid $43.5 million in premium to the reinsurer for this reinsurance protection. This premium payment of $43.5 million combined with the $53.6 million remitted to the reinsurer resulted in a total cash transfer of $97.1 million on the Inception Date.

The LPT is structured into two distinct sections with separate and independent reinsurance structures. Section A (representing $22.2 million of ceded net reserves at inception of the LPT) is the smaller section of the LPT covering claims from exited workers' compensation and general liability lines of business primarily related to business written in policy years 2011 and prior. Section B (representing $130.9 million of ceded net reserves at inception of the LPT) is a substantially larger section, covering claims from other exited business and certain continuing business related to policies written in years 2017 and prior, principally comprised of general liability and commercial auto lines.

As of September 30, 2022, our net loss reserves subject to the LPT were $75.5 million. In connection with refocusing our strategy, we have materially strengthened our reserves subject to the LPT. These decisions have been informed by substantial actuarial and claims analyses performed specific to our business subject to the LPT. At the same time, we have reduced the number of open claims by 66.5% since the inception of the LPT.

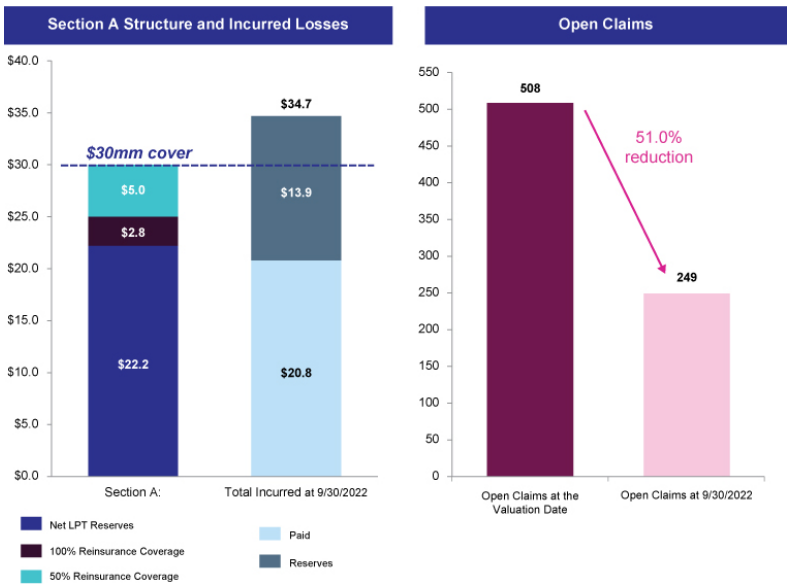
Section A

Based on the reserves on the Valuation Date, we ceded $22.2 million of net reserves related to Section A, subject to the aggregate cash deductible. The LPT provides 100% reinsurance coverage on the first $2.8 million of incurred losses and LAE above the ceded net reserves for Section A. Above the $2.8 million coverage layer is a further $5.0 million of reinsurance coverage for which we retain 50% of the incurred losses and LAE.

In April 2021, we reviewed every open claim for the business covered by Section A, with the help of a leading independent actuarial firm, to ensure that our reserves were set to our expected ultimate loss. Based on the review, we strengthened our reserves subject to Section A. As of September 30, 2022, total incurred losses and LAE (including claims paid, case reserves and IBNR) were $34.7 million, which is $4.7 million in excess of our reinsurance coverage under Section A of the LPT. As a result, should new claims arise or existing claims develop adversely such that we need to increase our incurred losses and LAE on business covered by Section A, there would be no further reinsurance coverage on these policies subject to the LPT.

As of September 30, 2022, paid losses and LAE on policies subject to Section A of the LPT were $20.8 million, which is $9.2 million below our total reinsurance coverage under Section A. We believe the ratio of paid losses and LAE to total incurred losses and LAE of 59.9% as of September 30, 2022, on policies covered under Section A of the LPT, in combination with the age of the policies (primarily policy years 2011 and prior) and the declining number of open claims (Section A open claims have been reduced by 51.0% since the Valuation Date), underscores the strength of our reserve position on Section A.

The chart below provides an illustration of the Section A reinsurance structure, the paid and incurred losses and LAE positions within the structure as of September 30, 2022, and the reduction in open claims from the Valuation Date through September 30, 2022.



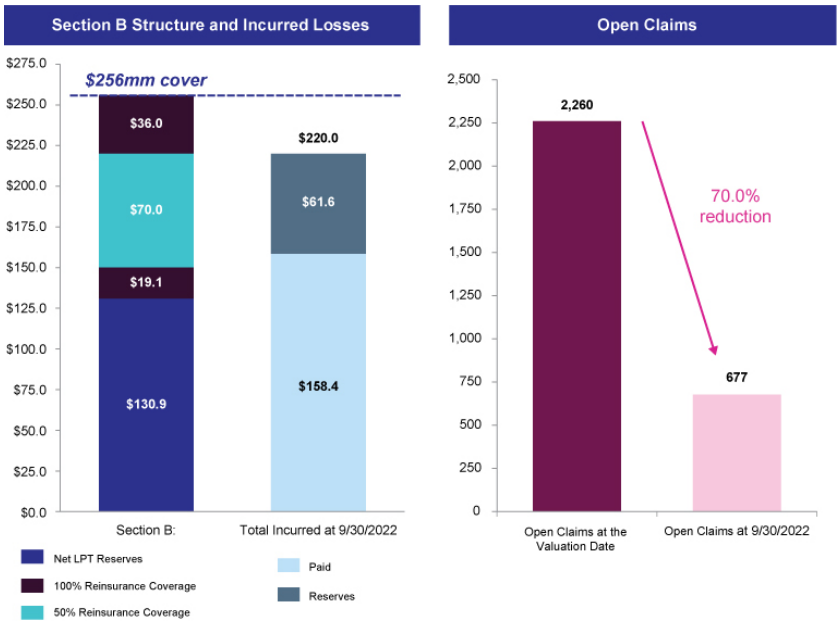
Section B

Based on the reserves on the Valuation Date, we ceded $130.9 million of net reserves related to Section B, subject to the aggregate cash deductible. The LPT provides 100% reinsurance coverage on the first $19.1 million of incurred losses and LAE above the ceded net reserves for Section B. Above the $19.1 million layer, a further $70.0 million of reinsurance coverage is provided, for which we have a 50% co-participation on the incurred losses and LAE in the layer. There is a further $36.0 million of reinsurance that provides 100% coverage above the $70 million layer.

In September 2021, we reviewed open claims for the business covered by Section B. Based on the review, we strengthened our reserves subject to Section B. As of September 30, 2022, total incurred losses and LAE (including claims paid, case reserves and IBNR) were $220.0 million with the entire $36.0 million of 100% coverage layer are available should new claims arise or existing claims develop adversely. As of September 30, 2022, paid losses and LAE on policies subject to Section B were $158.4 million, which is $97.6 million below our total reinsurance coverage under Section B, which includes the co-participation amounts. As with Section A, we believe that the Section B ratio of paid losses and LAE to total incurred losses and LAE of

72.0% as of September 30, 2022 in combination with and the rapidly declining number of open claims (reduced by 70.0%) since the Valuation Date underscores the strength of our reserve position on Section B.

The chart below provides an illustration of the Section B reinsurance structure, the paid and incurred losses and LAE positions within the structure as of September 30, 2022, and the reduction in open claims from the Valuation Date through September 30, 2022.



Investments

We seek to maintain a balanced investment portfolio predominantly composed of investments that generate predictable and stable returns, augmented by select strategic investments that generate attractive risk-adjusted returns. Our investment allocation strategy utilizes an Enterprise Based Asset Allocation model. This model, which is embedded in our Economic Capital Model (see ERM discussion), allows us to understand the impact of our investment allocation decisions on our capital, liquidity and risk profile across a range of market scenarios.

We actively manage and monitor our investment risk to balance the goals of stable growth and liquidity with our need to comply with the insurance regulatory and rating agency frameworks within which we operate. Our portfolio is mainly comprised of cash and cash equivalents and investment-grade fixed-maturity securities, supplemented by additional investments that fit our risk appetite, principally higher yielding direct lending strategies and equities. Other investments, while typically not rated securities, are generally lower volatility fixed income loans and securities that we believe provide us with risk-adjusted returns above what is achievable in liquid investment grade markets. We call this part of our investment portfolio Opportunistic Fixed Income.

The Investment Committee of our Board of Directors reviews and approves our investment policy and strategy. This committee meets on a regular basis to review and consider investment activities, tactics, and new investment opportunities as they arise. The portfolio is directed internally and includes both self-managed investments and portfolios managed by select third-party investment management firms.

A summary of our investment portfolio at September 30, 2022 and December 31, 2021 is as follows:

($ in thousands)	September 30, 2022			December 31, 2021		
	Fair value	% of total	Net Yield	Fair value	% of total	Net Yield
Cash and Short-term Investments	$ 135,966	13.0%	0.5%	$ 207,024	20.9%	0.1%
Core Fixed Income	562,573	53.6%	2.6%	458,351	46.2%	2.3%
Opportunistic Fixed Income	202,138	19.3%	13.8%	168,058	17.0%	8.6%
Equities	147,935	14.1%	1.1%	158,033	15.9%	2.3%
Total Investments and Cash	**$ 1,048,612**	**100.0%**	**4.0%**	**$ 991,466**	**100.0%**	**2.7%**

Our fixed maturity securities, together comprising 72.9% and 63.2% of our total investments and cash as of September 30, 2022 and December 31, 2021, respectively, including both core fixed income and opportunistic fixed income, had a weighted average effective duration of 3.2 and 2.8 years as of September 30, 2022 and December 31, 2021, and an average core fixed income credit rating of "AA" (Standard & Poor's) as of both September 30, 2022 and December 31, 2021.

Competition

The specialty lines property & casualty insurance market consists of many markets and sub-markets. Each market is characterized by distinct customer needs and product and services to meet those needs, and specific economic and structural features. We face competition in our underwriting divisions from other specialty and standard insurers as well as program administrators. Competition is based on many factors including pricing of coverage, the general reputation and perceived financial strength of the company, relationships with brokers, terms and conditions of products offered, ratings assigned by independent rating agencies, speed of claims payment and reputation, and the experience and reputation of the members of the underwriting and claims teams. Given the diversity of our underwriting divisions, our competition is broad and certain competitors may be specific to only a subset of our divisions. Some of our notable competitors include: Markel Corporation; W.R. Berkley Corporation; American Financial Group Inc.; Tokio Marine Holdings, Inc.; CNA Financial Corporation; Hiscox, Ltd.; RLI Corp.; Intact Finance Corporation; Argo Group International Holdings, Ltd.; Kinsale Capital Group, Inc.; and James River Group Holdings, Ltd.

Ratings

Our insurance group, Skyward Specialty Insurance Group, Inc. currently has a rating of "A-"(Excellent) with a stable outlook from A.M. Best, which rates insurance companies based on factors of concern to policyholders. A.M. Best currently assigns 16 ratings to insurance companies, which currently range from "A++" (Superior) to "F" (In Liquidation). The "A-" (Excellent) rating is the fourth highest rating. In evaluating a company's financial and operating performance, A.M. Best reviews a company's profitability, leverage, and liquidity, as well as its book of business, the adequacy and soundness of its reinsurance, the quality and estimated market value of its assets, the adequacy of its losses and loss expense reserves, the adequacy of its surplus, its capital structure, the experience and competence of its management and its market presence. A.M. Best's ratings reflect its opinion of an insurance company's financial strength, operating performance, and ability to meet its obligations to policyholders. These evaluations are not directed to investors of an insurance company's securities.

Employees and Human Capital

As of September 30, 2022, we had 441 employees. Our employees are not subject to any collective bargaining agreement, and we are not aware of any current efforts to implement such an agreement. We believe we have good working relations with our employees. We aim to be an employer of choice, and not just for insurance. As such, we strive to create a culture committed to fostering a rich diversity of thought, background and perspective. We embrace diversity, equity and inclusion initiatives as a way to improve workplace culture and demonstrate the importance of valuing our employees as people, not just as workers. In

addition, we offer and maintain a competitive benefits package designed to support the well-being of our employees, including, but not limited to, medical, dental and vision insurance, a 401(k) plan, paid time off, family leave and employee assistance programs. We also emphasize the training and development of our employees and provide opportunities to further their education and professional development. We know that we cannot win at our business unless we first win with our people.

Intellectual Property

We have applied for various trademark registrations in the United States at both federal and state levels. We will pursue additional trademark registrations and other intellectual property protection to the extent we believe it would be beneficial and cost effective.

In addition, we monitor our trademarks and service marks and protect them from unauthorized use as necessary.

Facilities

Our primary executive offices and insurance operations are in Houston, Texas which occupy approximately 40,000 square feet of office space for annual rent and rent-related operating payments of approximately $0.7 million. The lease for this space expires in 2029.

We believe that our facilities are adequate for our current needs and that suitable additional or substitute space will be available as needed.

Legal Proceedings

We are periodically party to legal proceedings which arise in the ordinary course of business. Currently, we are not involved in any legal proceedings which we believe could have a material adverse effect on our business or results of operation.

Our History

Skyward Specialty was formed as a Delaware corporation on January 3, 2006 as an insurance holding company. We operated under the name Houston International Insurance Group, Ltd. until we re-branded as Skyward Specialty in November 2020. We were founded for the purpose of underwriting commercial property and casualty insurance coverages for specialized customer niches and industries.

Our founding shareholders and management set out to build a leading specialty insurance provider underwriting across the United States and select niche global markets. The foundation for the company was established — and its business and geographic footprint widened — in part, through a series of acquisitions of insurance carriers and other insurance service providers beginning in 2007. In July 2014, to provide liquidity for certain of our then-shareholders as well as capital for the continued expansion of the business, we sold an interest in the company to an investment consortium led by Westaim, our largest shareholder as of the time of this offering. In the years following Westaim's investment, we continued to pursue organic growth in specialty P&C markets, supplemented by various strategic investments and acquisitions to enhance existing capabilities or enter new markets.

In 2020, we embarked upon a series of changes to refocus our strategy and position us for emerging opportunities in our chosen markets:

- In April 2020, we entered into the previously noted LPT reinsurance transaction covering certain business written during policy years 2017 and prior, to limit our exposure to potential loss reserve development primarily associated with certain exited business and to allow our management team to focus on the continuing business which we believe provide the best path for continued profitable growth.
- In April 2020, we raised approximately $100 million of capital from our existing investors to (i) provide capital to grow in the hardening pricing environment, (ii) position the Company for growth during a period of market dislocation, and (iii) strengthen our balance sheet.

- In May 2020, we appointed Andrew Robinson as our Chief Executive Officer. Under Mr. Robinson's leadership, we developed and implemented our "Rule Our Niche" strategy. As part of this strategy, we implemented additional changes that further transformed our business. These changes have included (i) substantial strengthening of our underwriting, claims and actuarial teams and support functions, (ii) improving the company culture with particular focus on attracting, retaining and developing top talent, (iii) considerable investment in our business intelligence technology capabilities and use of advanced technology for underwriting and claims decision-making, and (iv) a disciplined approach to focus only on the niches in which we believe we can earn an attractive underwriting profit and build sustainable and defensible positions.

As part of this strategy, we have taken several steps including, but not limited to, the following:

- Made multiple key hires across the organization — including underwriting, claims and technology — bringing us a diversity of world-class leadership and underwriting and claims expertise in select specialty lines;
- Launched select underwriting divisions, units and product lines where we believe we have — or can establish — defensible positions in high-profit niches to deliver consistent, best-in-class returns. Examples include Transactional E&S Lines, Allied Health Professional Liability and a range of insurance solutions for the cannabis industry;
- Acquired Aegis Surety, substantially increasing our scale in surety, deepening our surety underwriting and leadership team, and positioning the business line for profitable growth;
- Exited underperforming classes and divisions that did not meet our "Rule Our Niche" strategy, including specialty workers' compensation, lawyers' professional liability, automobile dealers programs, insurance agents and brokers professional liability, title agents liability, commercial auto for the timber industry and liability solutions for the hospitality industry;
- Invested significantly in our technology to amplify the capabilities and expertise of our people, using advance data and analytics to improve our decision-making, and facilitate our expansion into new business lines; and
- Implemented our name change and rebranding to Skyward Specialty, aligning with our repositioned business and culture.

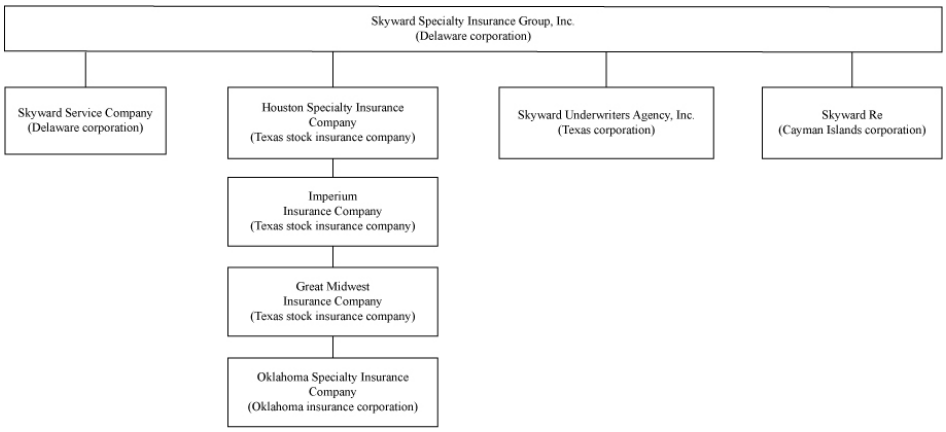
We believe our strategy and actions are driving financial performance and positioning us for long-term, sustainable growth and profitability that is among the best in the specialty P&C marketplace. Our momentum is strong and accelerating and we believe we are well-situated to continue our growth trajectory and consistently achieve best-in-class underwriting returns and return on equity.

Our Structure

We conduct our operations principally through four insurance companies. HSIC, which is our largest insurance subsidiary, underwrites multiple lines of insurance on a surplus lines basis in 50 states and the District of Columbia. IIC, a subsidiary of HSIC, underwrites on an admitted basis in all 50 states and the District of Columbia. GMIC, a subsidiary of IIC, underwrites multiple lines of insurance on an admitted basis in all 50 states and the District of Columbia. OSIC, a subsidiary of GMIC, is an approved surplus lines carrier in 47 states and the District of Columbia.

In addition to our primary insurance companies, we also own Skyward Re, a wholly-owned captive reinsurance company domiciled in the Cayman Islands that was incorporated on January 7, 2020. Skyward Re was established to facilitate the LPT. We also operate two non-insurance companies: Skyward Underwriters Agency, Inc., a licensed agent, managing general agent and reinsurance broker, and Skyward Service Company, which provides various administrative services to our subsidiaries.

Our organizational structure is set forth below. Each entity is wholly-owned by its immediate parent.



Our Corporate Information

Skyward Specialty Insurance Group, Inc. is an insurance holding company incorporated in Delaware that was organized in 2006. Our principal executive office is located at 800 Gessner Road, Suite 600, Houston, TX 77024 and our telephone number is (713) 935-4800. Our website address is www.skywardinsurance.com. Information contained on, or that can be accessed through, our website is not part of and is not incorporated by reference into this prospectus, and you should not consider information on our website to be part of this prospectus.

REGULATION

Insurance Regulation

We are regulated by insurance regulatory authorities in the states in which we conduct business. State insurance laws and regulations generally are designed to protect the interests of policyholders, consumers and claimants rather than stockholders or other investors. The nature and extent of state regulation varies by jurisdiction, and state insurance regulators generally have broad administrative power relating to, among other matters, setting capital and surplus requirements, licensing of insurers and insurance producers, review and approval of product forms and rates, establishing standards for reserve adequacy, prescribing statutory accounting methods and the form and content of statutory financial reports, regulating certain transactions with affiliates and prescribing types and amounts of investments.

Regulation of insurance companies constantly changes as governmental agencies and legislatures react to real or perceived issues. In recent years, the state insurance regulatory framework has come under increased federal scrutiny, and some state legislatures have considered or enacted laws that alter and, in many cases, increase, state authority to regulate insurance companies and insurance holding company systems. Further, the NAIC and some state insurance regulators are re-examining existing laws and regulations specifically focusing on issues relating to the solvency of insurance companies, interpretations of existing laws and the development of new laws. Although the federal government does not directly regulate the business of insurance, federal initiatives often affect the insurance industry in a variety of ways. In addition, the Federal Insurance Office (the "FIO") was established within the U.S. Department of the Treasury by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") in July 2010. The FIO monitors all aspects of the insurance industry, including identifying issues or gaps in the regulation of insurers that could contribute to a systemic crisis in the insurance industry or the U.S. financial system, although the FIO has no express regulatory authority over insurance companies or other insurance industry participants.

Required Licensing

Skyward Specialty is the ultimate parent company for four insurance company subsidiaries. Two of the insurance subsidiaries, GMIC and IIC, are domiciled and admitted in the state of Texas to transact certain lines of property and casualty insurance. HSIC is domiciled in the state of Texas and operates on a surplus lines basis. Lastly, OSIC is domiciled in the state of Oklahoma and operates on a surplus lines basis. All of Skyward Specialty's insurance subsidiary's licenses are in good standing, and, pursuant to applicable state laws and regulations, will continue in force unless otherwise suspended, revoked or otherwise terminated, subject to certain conditions and the filing of an annual registration statement with the state of domiciliary.

GMIC and IIC currently operate on an admitted basis in all fifty (50) states and the District of Columbia and each must maintain an insurance license in each state in which it transacts the business of insurance. HSIC currently operates on a surplus lines basis in all 50 states and the District of Columbia. OSIC currently operates on a surplus lines basis in forty-seven (47) states and the District of Columbia. While HSIC and OSIC do not have to apply for and maintain a license in those states (with the exception of their respective domiciliary states), they are subject to maintaining eligibility standards or approval under each particular state's surplus lines laws to be included as an approved surplus lines carrier. In states in which HSIC and OSIC operate on a surplus line basis, HSIC and OSIC have the freedom of rate and form on the majority of its business. This means that HSIC and OSIC can implement changes in policy form, underwriting guidelines, or rates for a product on an immediate basis without regulatory approval.

All insurance is written through licensed agents and brokers. In states in which we operate on a non-admitted basis, surplus lines brokers generally are required to certify that a certain number of licensed admitted insurers had been offered and declined to write a particular risk prior to placing that risk with us or that the coverage is otherwise unavailable from an admitted carrier.

Insurance Holding Company Regulation

We operate as an insurance holding company system and are subject to the insurance holding company laws of the State of Texas, the state in which our primary insurance companies are domiciled, as well as those of Oklahoma. These statutes require that each insurance company in the system register with the insurance

department of its state of domicile and furnish information concerning the operations of companies within the holding company system that may materially affect the operations, management or financial condition of the insurers within the system and domiciled in that state. These statutes also provide that all transactions among members of a holding company system must be fair and reasonable. Transactions between insurance subsidiaries and their parents and affiliates generally must be disclosed to the state regulators, and notice to or prior approval of the applicable state insurance regulator generally is required for any material or extraordinary transaction.

Changes of Control

Before a person can acquire control of a U.S. domestic insurer, prior written approval must be obtained from the insurance commissioner of the state where the insurer is domiciled, or the acquiror must make a disclaimer of control filing with the insurance department of such state and obtain approval thereon. Prior to granting approval of an application to acquire control of a domestic insurer, the domiciliary state insurance commissioner will consider a number of factors, which include the financial strength of the proposed acquiror, the acquiror's plans for the future operations of the domestic insurer and any anti-competitive results that may arise from the consummation of the acquisition of control.

Generally, state insurance statutes provide that control over a domestic insurer is presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, ten percent or more of the outstanding voting securities of the domestic insurer. This statutory presumption of control may be rebutted by a showing that control does not exist in fact. The state regulators, however, may find that "control" exists in circumstances in which a person owns or controls less than ten percent of the voting securities of the domestic insurer.

Since Skyward Specialty's insurance companies are domiciled in Texas and Oklahoma, the insurance laws and regulations of those state would be applicable to any proposed acquisition of control of Skyward Specialty. Under applicable Texas and Oklahoma insurance laws and regulations, no person may acquire control of a domestic insurer until written approval is obtained from the state insurance commissioner. Such approval would be contingent upon the state insurance commissioner's consideration of a number of factors, including among others, the financial strength of the proposed acquiror, the integrity and management of the acquiror's board of directors and executive officers, the acquiror's plans for the future operations of the domestic insurer and any anti-competitive results that may arise from the consummation of the acquisition of control. Texas and Oklahoma insurance laws and regulations pertaining to changes of control apply to both the direct and indirect acquisition of ten percent or more of the voting stock of a domiciled insurer. Accordingly, the acquisition of ten percent or more of our common stock would be considered an indirect change of control of Skyward Specialty and would trigger the applicable change of control filing requirements under Texas and Oklahoma insurance laws and regulations, absent a disclaimer of control filing and its acceptance by the Texas and Oklahoma Departments of Insurance. These requirements may discourage potential acquisition proposals and may delay, deter or prevent a change of control of us, including through transactions that some or all of our stockholders might consider to be desirable.

Restrictions on Paying Dividends

We are a holding company with no business operations of our own. Consequently, our ability to pay dividends to stockholders and meet our debt payment obligations is largely dependent on dividends and other distributions from our insurance subsidiaries. Applicable state insurance laws restrict the ability of our insurance subsidiaries to declare stockholder dividends. Applicable state insurance regulators require insurance companies to maintain specified levels of statutory capital and surplus. Dividend payments are further limited to that part of available policyholder surplus which is derived from net profits on an insurer's business. Insurance regulators have broad powers to prevent reduction of statutory surplus to inadequate levels, and there is no assurance that dividends of the maximum amounts calculated under any applicable formula would be permitted. State insurance regulatory authorities that have jurisdiction over the payment of dividends by our insurance subsidiaries may in the future adopt statutory provisions more restrictive than those currently in effect.

Investment Regulation

Skyward Specialty's insurance companies are subject to Texas and Oklahoma laws which require diversification of our investment portfolios and limits on the amount of investments in certain categories. Failure to comply with these laws and regulations would cause non-conforming investments to be treated as non-admitted assets for purposes of measuring statutory surplus and, in some instances, would require us to sell those investments.

Restrictions on Cancellation, Non-renewal or Withdrawal

Many states have laws and regulations that limit the ability of an insurance company licensed by that state to exit a market. Some states prohibit an insurer from withdrawing from one or more lines of business in the state except pursuant to a plan approved by the state insurance regulator, which may disapprove a plan that may lead to market disruption. Some state statutes may explicitly or by interpretation apply these restrictions to insurers operating on a surplus lines basis.

Licensing of Our Employees and Adjusters

In certain states in which we operate, insurance claims adjusters are required to be licensed and some must fulfill annual continuing education requirements. In most instances, our employees who are negotiating coverage terms are underwriters and employees of the Company and are not required to be licensed agents. As of September 30, 2022, 55 employees of Skyward Specialty were required to maintain and did maintain requisite licenses for these activities in most states in which we operate.

Enterprise Risk and Other Recent Developments

The NAIC, as part of its solvency modernization initiative, has engaged in a concerted effort to strengthen the ability of U.S. state insurance regulators to monitor U.S. insurance holding company groups. The NAIC's solvency modernization initiative, among other things, aims to expand the authority and focus of state insurance regulators to encompass U.S. insurance holding company systems at the group level. The holding company reform efforts at the NAIC culminated in December 2010 in the adoption of significant amendments to the NAIC's Insurance Holding Company System Regulatory Act (the "Model Holding Company Act") and its Insurance Holding Company System Model Regulation (the "Model Holding Company Regulation"). Among other things, the revised Model Holding Company Act and Model Holding Company Regulation explicitly address "enterprise" risk — the risk that an activity, circumstance, event or series of events involving one or more affiliates of an insurer will, if not remedied promptly, be likely to have a material adverse effect upon the financial condition or liquidity of the insurer or its insurance holding company system as a whole — and require annual reporting of potential enterprise risk as well as access to information to allow the state insurance regulator to assess such risk. In addition, the Model Holding Company Act amendments include a requirement to the effect that any person divesting control over an insurer must provide 30 days' notice to the regulator and the insurer (with an exception for cases where a Form A is being filed). The amendments direct the domestic state insurance regulator to determine those instances in which a divesting person will be required to file for and obtain approval of the transaction.

Some form of the 2010 amendments to the Model Holding Company Act has been adopted in all states, including Texas. In June 2011, Texas adopted the principal components of the amended Model Holding Company Act. In December 2014, the NAIC adopted additional revisions to the Model Holding Company Act, updating the model to clarify the group-wide supervisor for a defined class of internationally active insurance groups. The revisions also outline the process for determining the lead state for domestic insurance groups, outline the activities the commissioner may engage in as group-wide supervisor and extend confidentiality protections to cover information received in the course of group-wide supervision. The 2014 revisions to the Model Holding Company Act have been adopted in Texas and Oklahoma.

In 2012, the NAIC adopted the Risk Management and Own Risk and Solvency Assessment ("ORSA") Model Act, which requires domestic insurers to maintain a risk management framework and establishes a legal requirement for domestic insurers to conduct an ORSA in accordance with the NAIC's ORSA Guidance Manual. The ORSA Model Act provides that domestic insurers, or their insurance group, must regularly conduct an ORSA consistent with a process comparable to the ORSA Guidance Manual process. The ORSA

Model Act also provides that, no more than once a year, an insurer's domiciliary regulator may request that an insurer submit an ORSA summary report, or any combination of reports that together contain the information described in the ORSA Guidance Manual, with respect to the insurer and the insurance group of which it is a member. When the ORSA Model Act is adopted by a particular state, the ORSA Model Act would impose more extensive filing requirements on parents and other affiliates of domestic insurers. Texas and Oklahoma have both adopted their versions of the ORSA Model Act.

Additionally, in response to the growing threat of cyber-attacks in the insurance industry, certain jurisdictions have begun to consider new cybersecurity measures, including the adoption of cybersecurity regulations which, among other things, would require insurance companies to establish and maintain a cybersecurity program and implement and maintain cybersecurity policies and procedures. On October 24, 2017, the NAIC adopted its Insurance Data Security Model Law, intended to serve as model legislation for states to enact in order to govern cybersecurity and data protection practices of insurers, insurance agents, and other licensed entities registered under state insurance laws.

We constantly monitor changes in state laws that are related to and which impose obligations on us regarding data security.

Federal Regulation

The U.S. federal government's oversight of the insurance industry was expanded under the Dodd-Frank Act. Prior to the enactment of the Dodd-Frank Act in July 2010, the U.S. federal government's regulation of the insurance industry was essentially limited to certain insurance products, such as flood insurance, multi-peril crop insurance and reinsurance of losses from terrorism. As part of the overall federal financial regulatory reform package contained in the Dodd-Frank Act, Congress has legislated reforms in the reinsurance and surplus lines sectors.

Under reinsurance credit rules established under the Dodd-Frank Act, a U.S. ceding insurer need not satisfy the reinsurance credit rules of any nondomestic state if the following two conditions are met: (1) the ceding insurer's domestic state is NAIC-accredited or has financial solvency requirements substantially similar to the requirements necessary for NAIC accreditation, and (2) the ceding insurer's domestic state recognizes credit for reinsurance for its ceded risk.

The Dodd-Frank Act also incorporates the Nonadmitted and Reinsurance Reform Act of 2010 ("NRRA"), which became effective on July 21, 2011. Among other things, the NRRA establishes national uniform standards on how states may regulate and tax surplus lines insurance and sets national standards concerning the regulation of reinsurance. In particular, the NRRA gives regulators in the home state of an insured exclusive authority to regulate and tax surplus lines insurance transactions, and regulators in a ceding insurer's state of domicile the sole responsibility for regulating the balance sheet credit that the ceding insurer may take for reinsurance recoverables.

The Dodd-Frank Act also established the FIO in the U.S. Department of the Treasury and vested the FIO with the authority to monitor all aspects of the insurance sector, monitor the extent to which traditionally underserved communities and consumers have access to affordable non-health insurance products, and to represent the United States on prudential aspects of international insurance matters, including at the International Association of Insurance Supervisors (the "IAIS"). In addition, the FIO serves as an advisory member of the Financial Stability Oversight Council, assists the secretary of the U.S. Department of the Treasury with administration of the Terrorism Risk Insurance Program, and advises the secretary of the U.S. Department of the Treasury on important national and international insurance matters. In addition, the FIO has the ability to recommend to the Financial Stability Oversight Council the designation of an insurer as "systemically significant" and therefore subject to regulation by the Federal Reserve as a bank holding company.

In limited circumstances, the FIO can declare a state insurance law or regulation "preempted," but this can be done only after extensive consultation with state insurance regulators, the Office of the U.S. Trade Representative and key insurance industry players (in trade associations representing insurers and intermediaries). Additionally, the FIO must publish a notice regarding the basis for the preemption in the Federal Register, allowing a reasonable opportunity for comments. The FIO cannot preempt state antitrust

laws governing rate making, underwriting, sales practices or coverage requirements. No later than September 30th of each year, the FIO must submit an annual report to Congress explaining any use of the preemption authority during the prior year.

In addition, a number of federal laws affect and apply to the insurance industry, including various privacy laws and the economic and trade sanctions implemented by the Office of Foreign Assets Control ("OFAC") of the U.S. Department of the Treasury. OFAC maintains and enforces economic sanctions against certain foreign countries and groups and prohibits U.S. persons from engaging in certain transactions with certain persons or entities. OFAC has imposed civil penalties on persons, including insurance and reinsurance companies, arising from violations of its economic sanctions program.

On December 12, 2013, the FIO submitted a report to Congress as required under the Dodd-Frank Act on improving U.S. insurance regulation (the "Modernization Report"). The Modernization Report concludes that the federal government should continue its involvement in insurance regulation, emphasizing the need for improved uniformity and efficiency in the U.S. insurance regulatory system, but that the current "hybrid" state and federal regulatory system should remain in place. The Modernization Report also recommends certain steps that should be taken to modernize and improve the U.S. insurance regulatory system through a combination of actions to be taken by the state and federal governments. Many of the recommendations in the Modernization Report are subject to NAIC initiatives. As the FIO does not have regulatory authority, the recommendations in its report could be viewed as advisory in nature. Most suggestions for U.S. federal standards and involvement in insurance regulation would require U.S. Congressional action. Whether many of the recommendations will be implemented, altered considerably, or delayed for an extended period is still uncertain.

The FIO and the Office of the U.S. Trade Representative have exercised their authority under the Dodd-Frank Act to negotiate a "covered agreement" with each of the European Union (the "EU") and the United Kingdom. Those covered agreements, which establishes standards on collateral requirements for reinsurance, insurance group supervision and confidentiality, began taking effect in 2018 and are expected to be fully implemented by September 22, 2022, with preemption analysis by the FIO to be completed by September 1, 2022.

Trade Practices

The manner in which insurance companies and insurance agents and brokers conduct the business of insurance is regulated by state statutes in an effort to prohibit practices that constitute unfair methods of competition or unfair or deceptive acts or practices. Prohibited practices include, but are not limited to, disseminating false information or advertising, unfair discrimination, rebating and false statements. We set business conduct policies to make our employee-agents and other sales personnel aware of these prohibitions, and we require them to conduct their activities in compliance with these statutes.

Unfair Claims Practices

Generally, insurance companies, adjusting companies and individual claims adjusters are prohibited by state statutes from engaging in unfair claims practices on a flagrant basis or with such frequency to indicate a general business practice. Unfair claims practices include, but are not limited to, misrepresenting pertinent facts or insurance policy provisions; failing to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies; and attempting to settle a claim for less than the amount to which a reasonable person would have believed such person was entitled. We set business conduct policies to make our employee-adjusters and other claims personnel aware of these prohibitions, and requires them to conduct their activities in compliance with these statutes.

Quarterly and Annual Financial Reporting

Our insurance subsidiaries are required to file quarterly and annual financial reports with state insurance regulators using statutory accounting practices (SAP) rather than generally accepted accounting principles (GAAP). In keeping with the intent to assure policyholder protection, SAP emphasizes solvency considerations. For a summary of the SAP capital and surplus and net income (loss) relating to our insurance subsidiaries, see Note 26 to our audited consolidated financial statements included in this prospectus.

Credit for Reinsurance

State insurance laws permit U.S. insurance companies, as ceding insurers, to take financial statement credit for reinsurance that is ceded, so long as the assuming reinsurer satisfies the state's credit for reinsurance laws. There are several different ways in which the credit for reinsurance laws may be satisfied by an assuming reinsurer, including being licensed in the state, being accredited in the state, or maintaining certain types of qualifying collateral. We ensure that our material reinsurers qualify in order for us to be able to take full financial statement credit for its reinsurance.

Periodic Financial and Market Conduct Examinations

The insurance regulatory authority in the States of Texas and Oklahoma conduct on-site visits and examinations of the financial affairs and market conduct condition our insurance company subsidiaries, including their financial condition, their relationships and transactions with affiliates and their dealings with policyholders, every five years, and may conduct special or targeted examinations to address particular concerns or issues at any time. The Texas and Oklahoma Departments of Insurance are currently conducting our five year exam. Insurance regulators of other states in which we do business may also conduct examinations. The results of these examinations can give rise to regulatory orders requiring remedial, injunctive or other corrective action. Insurance regulatory authorities have broad administrative powers to regulate trade practices and to restrict or revoke licenses to transact business and to levy fines and monetary penalties against insurers and insurance agents and brokers found to be in violation of applicable laws and regulations.

Risk-Based Capital

Risk-based capital ("RBC") laws are designed to assess the minimum amount of capital that an insurance company needs to support its overall business operations and to ensure that it has an acceptably low expectation of becoming financially impaired. State insurance regulators use RBC to set capital requirements, considering the size and degree of risk taken by the insurer and taking into account various risk factors including asset risk, credit risk, underwriting risk and interest rate risk. As the ratio of an insurer's total adjusted capital and surplus decreases relative to its risk-based capital, the RBC laws provide for increasing levels of regulatory intervention culminating with mandatory control of the operations of the insurer by the domiciliary insurance department at the so-called mandatory control level.

The Texas and Oklahoma Departments of Insurance have largely adopted the model legislation promulgated by the NAIC pertaining to RBC, and requires annual reporting by their domiciled insurers to confirm that the minimum amount of RBC necessary for an insurer to support its overall business operations has been met. Insurers falling below a calculated threshold may be subject to varying degrees of regulatory action. Failure to maintain risk-based capital at the required levels could adversely affect our ability to maintain the regulatory approvals necessary to conduct our business. However, as of December 31, 2021, we maintained RBC levels significantly in excess of amounts that would require any corrective actions.

IRIS Ratios

The NAIC Insurance Regulatory Information System, or IRIS, is part of a collection of analytical tools designed to provide state insurance regulators with an integrated approach to screening and analyzing the financial condition of insurance companies operating in their respective states. IRIS is intended to assist state insurance regulators in targeting resources to those insurers in greatest need of regulatory attention. IRIS consists of two phases: statistical and analytical. In the statistical phase, the NAIC database generates key financial ratio results based on financial information obtained from insurers' annual statutory statements. The analytical phase is a review of the annual statements, financial ratios and other automated solvency tools. The primary goal of the analytical phase is to identify companies that appear to require immediate regulatory attention. A ratio result falling outside the usual range of IRIS ratios is not considered a failing result; rather, unusual values are viewed as part of the regulatory early monitoring system. Furthermore, in some years, it may not be unusual for financially sound companies to have several ratios with results outside the usual ranges. An insurance company may fall out of the usual range for one or more ratios because of specific transactions that are in themselves immaterial.

As of December 31, 2021, our insurance companies had IRIS ratios outside the usual range in four categories. Our results for these ratios are attributable to the significant growth in premiums and low investment yields due to the current interest rate environment. Management does not anticipate regulatory action as a result of these IRIS ratio results.

MANAGEMENT

Executive Officers and Directors

Set forth below is certain biographical and other information regarding our directors and our executive officers as of the date of this prospectus.

Name	Age	Position(s)
Executive Officers		
Andrew Robinson	56	Chief Executive Officer and Director
Mark Haushill	60	Chief Financial Officer
Kirby Hill	58	Executive Vice President and President of Industry Solutions, Captives and Programs
John Burkhart	53	Executive Vice President and President of Specialty Lines
Sean Duffy	55	Chief Claims Officer
Sandip Kapadia	42	Chief Actuary and Executive Vice President, Underwriting Strategy and Enterprise Analytics
Daniel Bodnar	56	Chief Information and Technology Officer
Thomas Schmitt	63	Chief People and Administrative Officer
Leslie Shaunty	54	General Counsel
Non-Employee Directors		
J. Cameron MacDonald	61	Chair of the Board
Robert Creager	74	Director
Marcia Dall	59	Director
James Hays	65	Director
Robert Kittel	50	Director
Katharine Terry	45	Director

The following are brief biographies describing the backgrounds of our executive officers and directors.

Andrew Robinson has served as our Chief Executive Officer and as a member of our Board of Directors since May 2020. Since August 2020, Mr. Robinson has also served as a member of our Compensation Committee. Prior to joining Skyward Specialty, Mr. Robinson was an Executive in Residence then Senior Advisor at Oak HC/FT, a venture and growth equity firm, including serving as Co-Chief Executive Officer then as Executive Chairman at Groundspeed Analytics, and as Chairman of Clara Analytics, both insurance technology companies funded by Oak HC/FT. From January 2017 to July 2017, Mr. Robinson served as the Global Chief Operating Officer and Executive Vice President of Crawford & Company, a claims management solutions business. Mr. Robinson oversaw Crawford & Company's four businesses with revenues of $1.1 billion and over 8,000 employees. Mr. Robinson's experience also includes over ten years with The Hanover Insurance Group, Inc. ("The Hanover"), an insurance company, where he rose to President of Specialty Insurance, Executive Vice President of Corporate Development and Chief Risk Officer. While at The Hanover, his responsibilities included all aspects of the company's U.S. specialty businesses, including profit and loss and strategic and operational oversight. He was also responsible for acquisitions, divestitures, business integration, and enterprise risk management for the broader enterprise. Prior to his time at The Hanover, he was the Managing Partner of Global Insurance at Diamond (now PWC) Consulting. Mr. Robinson also serves on the board of McLarens, Inc., a global insurance services company, and PLNAR, an insurance technology company. Mr. Robinson previously served on the Board of Directors of Chaucer Plc, a Lloyd's of London managing agency.

Mr. Robinson holds a Bachelor of Science degree from Clarkson University. Mr. Robinson is a highly experienced and successful global insurance executive with a 30 year track record of growth, financial

improvement, strategic and operational leadership. We believe Mr. Robinson is qualified to serve as a member of our Board of Directors based on our review of his experience, qualifications, attributes and skills, including his executive leadership experience in the insurance, claims management and technology industries.

Mark Haushill has served as our Chief Financial Officer and Executive Vice President since November 2015. Since November 2015, Mr. Haushill has served as a Director of each of our insurance subsidiaries, including HSIC, IIC, GMIC and OSIC, and President of each since August 17, 2020. Prior to joining Skyward Specialty, Mr. Haushill was Vice President, Chief Financial Officer and Treasurer at American Safety Holdings, Ltd., a public insurance company, from September 2009 to December 2015. From December 2000 to September 2009, Mr. Haushill was Vice President, Chief Financial Officer and Treasurer at Argo Group, Ltd., a publicly-traded insurance company.

Mr. Haushill holds a Bachelor of Business Administration degree in Accounting from Baylor University. With his more than 25 years of experience in the insurance industry, Mr. Haushill brings a wealth of knowledge of best processes and practices to the Company's accounting and treasury functions.

Kirby Hill has served as our Executive Vice President and President of Industry Solutions, Captives and Programs since January 2021, and prior to that, in a variety of roles leading different aspects of our underwriting operations since December 2010. Prior to joining Skyward Specialty, Mr. Hill was the Chief Executive Officer and Co-Founder of Norwich Holding Co., LLC, a company specializing in the development, implementation and administration of commercial specialty insurance products and programs, and prior to that in various multiline underwriting positions at PMA Insurance Corporation and American International Group, Inc. (AIG). Mr. Hill holds a Bachelor of Economics from Villanova University. With his more than 30 years of experience in all facets of the insurance business, including agency, captive and underwriting operations, Mr. Hill brings significant value to the Company, handling our program administrator partnerships, specialty distribution and niche industry businesses.

John Burkhart has served as our Executive Vice President and President of Specialty Lines since January 2021. Prior to joining Skyward Specialty, Mr. Burkhart was Senior Vice President, Head of Professional Lines and Industry Verticals at QBE Insurance Group Limited, a public insurance company, from November 2013 to September 2020. Prior to that Mr. Burkhart held several roles, including Vice President — Specialty Lines, during his tenure at Chubb Limited, a publicly-traded insurance company, from June 1992 to October 2013.

Mr. Burkhart holds a Bachelor of Science degree in Finance from Western Michigan University. Mr. Burkhart has almost 30 years of experience in specialty lines insurance, including management and professional liability, healthcare, financial institutions and transactional liability

Sean Duffy has served as our Chief Claims Officer and Executive Vice President since January 2019. Since March 2019, Mr. Duffy has also served as Director of our subsidiaries Houston Specialty Insurance Company, Imperium Insurance Company, Great Midwest Insurance Company, and Oklahoma Specialty Insurance Company. Prior to joining Skyward Specialty, Mr. Duffy was Senior Vice President, Chief Claims Officer at OneBeacon Insurance, a specialty insurance provider, from April 2010 to March 2018. In addition, Mr. Duffy previously held senior claims roles at insurers Great American Insurance and Travelers.

Mr. Duffy holds a Juris Doctorate from Hamline University and a Bachelor of Arts from Carleton College. Mr. Duffy has over 27 years of experience in the insurance industry.

Sandip Kapadia has served as our Chief Actuary and Executive Vice President, Underwriting Strategy and Enterprise Analytics since November 2021. From April 2020 to November 2021, Mr. Kapadia served as our Senior Vice President, Head of Data Analytics and Underwriting Strategy. Since August 2021, Mr. Kapadia has also served as Director of our subsidiaries Houston Specialty Insurance Company, Imperium Insurance Company, Great Midwest Insurance Company, and Oklahoma Specialty Insurance Company, including as a member of the Audit Committee of Houston Specialty Insurance Company, Imperium Insurance Company, and Great Midwest Insurance Company. Prior to joining Skyward Specialty, Mr. Kapadia was Vice President at Crum & Forster, an insurance company, from September 2015 to April 2020. Mr. Kapadia has also held various analytical roles in the insurance industry at Partner Re, Everest Re, and Aon Re.

Mr. Kapadia holds a Bachelor of Science from Pennsylvania State University. Mr. Kapadia is a Fellow of the Casualty Actuarial Society, a member of the American Academy of Actuaries, and a Designated Mentor to the Columbia University Actuarial Science graduate program. Mr. Kapadia brings with him over 20 years of industry experience across multiple actuarial, insurance, reinsurance, and modeling roles.

Daniel Bodnar has served as our Chief Information and Technology Officer since August 2017. Since March 2021, Mr. Bodnar has also served as Director of our subsidiaries Houston Specialty Insurance Company, Imperium Insurance Company, Great Midwest Insurance Company, and Oklahoma Specialty Insurance Company, and since August 2021, he has served as Director of our subsidiary Skyward Service Company. Prior to joining Skyward Specialty, Mr. Bodnar was a Property and Casualty IT Consultant at insureCIO, an information technology services company servicing the property and casualty insurance industry, from March 2015 to August 2017. Prior to that Mr. Bodnar was at Argo Insurance Group and HCC Insurance Holdings, two specialty insurance companies, successfully building specialty insurance technology teams and platforms.

Mr. Bodnar holds a Bachelor of Computer Science from Trinity University (San Antonio). Mr. Bodnar has more than 20 years' experience working in the insurance technology industry.

Thomas Schmitt has served as our Chief People and Administrative Officer since September 2020. Since August 2021, he has served as a Director of our subsidiary Skyward Service Company. Prior to joining Skyward Specialty, Mr. Schmitt served as Chief Human Resources Officer and Senior Vice President at James River Insurance Group, an insurance company, from January 2019 to July 2019. Mr. Schmitt was an Independent Management Consultant from January 2018 to December 2019 and from June 2020 to September 2020. From February 2003 to December 2017, Mr. Schmitt was in positions of ascending authority at OneBeacon Insurance, an insurance company, most recently serving as Senior Vice President and Chief Human Resources Officer. Mr. Schmitt was instrumental in building high-performing human resources functions and assisting in the transformation of the company in times of growth and expansion.

Mr. Schmitt holds a Bachelor of Science from Boston College and an MBA from Babson College. Mr. Schmitt has more than 30 years of experience in a variety of human resources and administrative management roles in the insurance, technology, and banking industries.

Leslie Shaunty has served as our General Counsel since January 2021. Prior to that, Ms. Shaunty was the Company's Vice President of Legal & Compliance from July 2013 to December 2019 and Chief Legal Officer from June 2020 to January 2021. Since June 2020, Ms. Shaunty has served as a Director and the Secretary of each of our subsidiaries, including HSIC, IIC, GMIC and OSIC. From February 2019 to June 2020, Ms. Shaunty operated the Shaunty Law Firm, providing clients, including Skyward Specialty, with corporate legal services.

Ms. Shaunty holds a Juris Doctorate from the University of Virginia and a Bachelor of Arts from the University of Texas. Ms. Shaunty has more than 25 years of legal experience in a variety of industries, including retail and manufacturing, in addition to more than 10 years of insurance industry experience.

Non-Employee Directors

J. Cameron MacDonald has served on our Board of Directors since July 2014 and as Chairman of our Board since May 2020. Mr. MacDonald has served as a member of the Nominating & Governance Committee since August 2020. Since April 2009, Mr. MacDonald has served as President and Chief Executive Officer of The Westaim Corporation, a public investment company and significant shareholder of the Company. Mr. MacDonald has served as a Director on the Board of The Westaim Corporation since December 2008. Mr. MacDonald served as Chairman of the Goodwood Advisory Committee from March 2009 to November 2012. He served as the President and CEO of Goodwood Inc., an investment management firm, from September 2000 to November 2012. Prior to his tenure at Goodwood Inc., from March 1990 through March 1999, Mr. MacDonald was a Director, member of the Research and Executive Committee, and shareholder of Connor Clark Private Trust, a wealth management company. From 1983 through 1990 he held various positions at CIBC Wood Gundy, a retail brokerage company, in Credit, Operations, and served as an Account Executive in the capacity of Vice President.

Mr. MacDonald holds a Bachelor of Arts in Economics from Wilfrid Laurier University and is a CFA Charterholder. We believe Mr. MacDonald is qualified to serve as a member of our Board of Directors based on our review of his experience, qualifications, attributes, and skills, including his corporate governance and executive leadership experience in the investment, insurance and technology industries.

Robert Creager has served on our Board of Directors since October 2012, as Chairman of the Audit Committee since July 2014 and as Chairman of the Nominating & Governance Committee since August 2020. Since November 2019, Mr. Creager has served as Director and Chairman of the Audit Committee of our subsidiaries Houston Specialty Insurance Company, Imperium Insurance Company, and Great Midwest Insurance Company and as a Director of our subsidiary Oklahoma Specialty Insurance Company. From 2012 to 2022, Mr. Creager served as a Director and Chairman of the Audit Committee of USA Truck, Inc., a public trucking and logistics company, which was acquired by DB Schenker in 2022. Previously he served as a Director and Chaired the Audit Committee of Mattress Firm, Inc., a mattress retailer, and GeoMet, Inc. (OTC: GMET), an energy company. From 1982 until 2009, Mr. Creager was an Assurance Partner with PricewaterhouseCoopers LLP. and was the leader of the Houston audit practice from 2001 to 2007.

Mr. Creager holds a Bachelor of Science degree in Accounting from the University of Maryland. From 2010 to 2019, Mr. Creager was a board member of the National Association of Corporate Directors Texas TriCities Chapter, served as the Treasurer, and was a Governance Fellow. He has served on boards of directors of public, private, and not-for-profit companies. Mr. Creager is a senior financial professional with many years of public accounting experience, corporate governance experience as a director, and industry expertise. We believe Mr. Creager is qualified to serve as a member of our Board of Directors based on his experience, qualifications, attributes, and skills including his extensive financial accounting background and his experience serving on Audit Committees.

Marcia Dall joined our Board of Directors on November 1, 2022 and is a member of the Audit Committee and Compensation Committee. Since October 2015, Ms. Dall has served as the Executive Vice President and Chief Financial Officer of Churchill Downs Incorporated, a publicly traded industry-leading racing, online wagering, and gaming entertainment company. Prior to this role, Ms. Dall served as Executive Vice President and Chief Financial Officer at Erie Indemnity Company, a company providing sales, underwriting and administrative services to Erie Insurance Exchange, from March 2009 to October 2015. From January 2008 to March 2009, she served as Chief Financial Officer of CIGNA Healthcare. Prior to CIGNA, from August 2002 through January 2008, Ms. Dall was Executive Vice President and Chief Financial Officer for the International and U.S. Mortgage Insurance segments of Genworth Financial, a former subsidiary of GE. From August 1997 through May 2000, she was the Executive Vice President and Chief Financial Officer of GE Rail Service.

Ms. Dall holds a Bachelor of Science from Indiana University and an MBA from Northwestern University Kellogg School of Management. We believe Ms. Dall is qualified to serve as a member of our Board of Directors based on her experience, qualifications, attributes, and skills, including her extensive finance and management background and executive leadership experience in the insurance sector.

James Hays has served on our Board of Directors since April 2020 and as a member of our Compensation Committee and Nominating & Governance Committee since August 2020. Since October 2018, Mr. Hays has served as Vice Chairman and member of the Board of Directors of Brown & Brown, Inc., a public insurance company. Since August 1994, he served as the Founder and Chief Executive Officer of Hays Companies, an insurance broker that was acquired by Brown & Brown, Inc. in October 2018. At Hays Companies, Mr. Hays developed the organization into a nationwide leader in risk management, P&C, employee benefits, and personal lines insurance. As Chief Executive Officer of Hays Companies, Mr. Hays has overseen more than 25 years of growth, starting from a seven-person operation to a large-scale firm with more than 700 teammates in 30 offices. In addition to his leadership responsibilities, Mr. Hays maintains relationships with key accounts, helping customers understand their risk profile and developing robust insurance solutions.

Mr. Hays holds a Bachelor of Science and a Master of Business Administration from the University of Minnesota. He currently serves on the Boards of the Astronaut Scholarship Foundation, a non-profit organization, JS Held, LLC, a consulting firm, and Mid Country Acquisition Corp, a savings and loan holding company. We believe Mr. Hays is qualified to serve as a member of our Board of Directors based on his experience, qualifications, attributes, and skills including his extensive experience in the multiple sectors of the insurance industry.

Robert Kittel has served on our Board of Directors and as a member of the Audit Committee and Compensation Committee since July 2014. Mr. Kittel has been the Chairman of the Compensation Committee since August 2020. Since January 2013, Mr. Kittel has served as the Chief Operating Officer of The Westaim Corporation, a public financial and investment company and a significant stockholder of the Company. Previously he was a Partner and Portfolio Manager at Goodwood Inc., an investment management firm, that he joined in 2002. From 2000 through 2002, he was Vice President and Analyst of a Canadian-based hedge fund investment firm. From 1997 through 2000, Mr. Kittel was employed by the Cadillac Fairview Corporation, a commercial real estate development company in the investments area. Prior to 1997, Mr. Kittel was a Staff Accountant at KPMG LLP.

Mr. Kittel has served as a Director on several public company Boards, both in Canada and the United States, and is currently on the Board, Audit Committee and Compensation Committee of Constellation Software Inc., a public diversified software company. Mr. Kittel holds a Bachelor of Business Administration Honours from Wilfrid Laurier University, is a Chartered Professional Accountant, and a Chartered Financial Analyst. We believe Mr. Kittel is qualified to serve as a member of our board of directors based on our review of his experience, qualifications, attributes, and skills, including his extensive experience in financial accounting.

Katharine Terry joined our board of Directors on November 1, 2022 and is a member of the Nominating and Governance Committee. Ms. Terry cofounded Surround Group, Inc. in June 2018 and serves as Chief Operating Officer. Surround is a managing general agency that designs property and casualty insurance products for young professionals. Ms. Terry also founded Kate Terry & Company, a management consulting firm focused on insurance product innovation. Prior to that, Ms. Terry was Senior Vice President, Commercial Insurance Product Management at Liberty Mutual Insurance from February 2011 through August 2016. She held prior roles in product management at Plymouth Rock Assurance Corporation and Progressive Insurance. Ms. Terry is a Chartered Property and Casualty Underwriter.

Ms. Terry holds a Bachelor of Arts from Harvard University and an MBA from Harvard Business School. We believe Ms. Terry is qualified to serve as a member of our Board of Directors based on her experience, qualifications, attributes, and skills, including her extensive insurance product management experience.

Family Relationships

There are no family relationships among any of our directors or executive officers.

Board Composition

Our bylaws provide that our Board of Directors shall initially consist of eight members, and thereafter shall be fixed from time to time by resolution of our Board of Directors. At the time of this offering our Board of Directors will consist of seven members, with one vacancy.

In accordance with our certificate of incorporation, our Board of Directors will be divided into three classes with staggered three year terms. At each annual meeting of stockholders after the initial classification, the successors to the directors whose terms will then expire will be elected to serve from the time of election and qualification until the third annual meeting following their election. Our directors will be divided among the three classes as follows:

- the Class I directors will be Robert Creager and James Hays, and their terms will expire at the annual meeting of stockholders to be held in 2023;
- the Class II directors will be Robert Kittel, Andrew Robinson and Katharine Terry, and their terms will expire at the annual meeting of stockholders to be held in 2024; and
- the Class III directors will be Marcia Dall and J. Cameron MacDonald, and their terms will expire at the annual meeting of stockholders to be held in 2025.

Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. This classification of our Board of Directors may have the effect of delaying or preventing changes in control of our company.

Our Board of Directors has determined that upon completion of this offering, five will be independent directors. In making this determination, our Board of Directors applied the standards set forth in Nasdaq rules and in Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In evaluating the independence of Robert Creager, James Hays, Katharine Terry and Marcia Dall, our Board of Directors considered their current and historical employment, any compensation we have given to them, any transactions we have with them, their beneficial ownership of our capital stock, their ability to exert control over us, all other material relationships they have had with us and the same facts with respect to their immediate family. The Board of Directors also considered all other relevant facts and circumstances known to it in making this independence determination. In addition, Robert Creager, James Hays, Robert Kittel, Katharine Terry, Marcia Dall and J. Cameron MacDonald are all non-employee directors, as defined in Rule 16b-3 of the Exchange Act.

Although there is no specific policy regarding diversity in identifying director nominees, both the Nominating and Corporate Governance Committee and the Board of Directors seek the talents and backgrounds that would be most helpful to us in selecting director nominees. In particular, the Nominating and Corporate Governance Committee, when recommending director candidates to the full Board of Directors for nomination, may consider whether a director candidate, if elected, assists in achieving a mix of Board of Directors members that represents a diversity of background and experience.

Board Leadership Structure

Our Board of Directors recognizes that one of its key responsibilities is to evaluate and determine its optimal leadership structure so as to provide effective oversight of management. Our bylaws and corporate governance guidelines, will provide our Board of Directors with flexibility to combine or separate the positions of Chair of the Board and Chief Executive Officer. Our Board of Directors currently believes that our existing leadership structure, under which Andrew Robinson serves as our chief executive officer and J. Cameron MacDonald serves as Chair of the Board, is effective, and achieves the optimal governance model for us and for our stockholders.

Board Oversight of Risk

Although management is responsible for the day-to-day management of the risks our company faces, our Board of Directors and its committees take an active role in overseeing management of our risks and have the ultimate responsibility for the oversight of risk management. The Board of Directors regularly reviews information regarding our operational, financial, legal and strategic risks. Specifically, senior management attends quarterly meetings of the Board of Directors, provides presentations on operations including significant risks, and is available to address any questions or concerns raised by our Board of Directors.

In addition, we expect that several of our committees will assist the Board of Directors in fulfilling its oversight responsibilities regarding risk. The Audit Committee will coordinate the Board of Director's oversight of our internal controls over financial reporting, disclosure controls and procedures, related party transactions and code of conduct and corporate governance guidelines and management will regularly report to the Audit Committee on these areas. The Compensation Committee will assist the Board of Directors in fulfilling its oversight responsibilities with respect to the management of risks arising from our compensation policies and programs as well as succession planning as it relates to our Chief Executive Officer. The Nominating and Corporate Governance Committee will assist the Board of Directors in fulfilling its oversight responsibilities with respect to the management of risks associated with board organization, membership and structure, succession planning for our directors and corporate governance. When any of the committees receives a report related to material risk oversight, the chairman of the relevant committee will report on the discussion to the full Board of Directors.

Code of Business Conduct and Ethics

We anticipate adopting an amended code of business conduct and ethics, effective immediately prior to the completion of this offering, which will apply to all of our employees, officers and directors, including those officers responsible for financial reporting. Following its completion, the code of business conduct and ethics will be available on our website at www.skywardinsurance.com. We intend to disclose any amendments to the code, or any waivers of its requirements, on our website to the extent required by the applicable rules

and exchange requirements. The inclusion of our website address in this prospectus does not incorporate by reference the information on or accessible through our website into this prospectus.

Board Committees

Our Board of Directors has established the following committees: an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. The anticipated composition and responsibilities of each committee are described below. Members will serve on these committees until their resignation or until otherwise determined by our Board of Directors.

Audit Committee

Our audit committee oversees our corporate accounting and financial reporting process. Among other matters, the audit committee:

- appoints our independent registered public accounting firm;
- evaluates the independent registered public accounting firm's qualifications, independence and performance;
- determines the engagement of the independent registered public accounting firm;
- reviews and approves the scope of the annual audit and the audit fee;
- discusses with management and the independent registered public accounting firm the results of the annual audit and the review of our quarterly financial statements;
- approves the retention of the independent registered public accounting firm to perform any proposed permissible non-audit services;
- monitors the rotation of partners of the independent registered public accounting firm on our engagement team in accordance with requirements established by the SEC;
- reviews our financial statements and our management's discussion and analysis of financial condition and results of operations to be included in our annual and quarterly reports to be filed with the SEC;
- reviews our critical accounting policies and estimates; and
- reviews the audit committee charter and the committee's performance at least annually.

The members of our audit committee are Robert Creager (chairperson), Marcia Dall and Robert Kittel. All members of our audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and Nasdaq. Our Board of Directors has determined that Robert Creager is an audit committee financial expert as defined under the applicable rules of the SEC and has the requisite financial sophistication as defined under the applicable rules and regulations of Nasdaq. Under the rules of the SEC, members of the audit committee must also meet heightened independence standards. However, a minority of the members of the audit committee may be exempt from the heightened audit committee independence standards for one year from the date of effectiveness of the registration statement of which this prospectus forms a part. Our Board of Directors has determined that each of Robert Creager and Marcia Dall are independent under the heightened audit committee independence standards of the SEC and Nasdaq. As allowed under the applicable rules and regulations of the SEC and Nasdaq, we intend to phase in compliance with the heightened audit committee independence requirements to have a fully independent audit committee prior to the end of the one-year transition period. The audit committee operates under a written charter that satisfies the applicable standards of the SEC and the applicable Nasdaq rules.

Compensation Committee

Our compensation committee reviews and recommends policies relating to compensation and benefits of our officers and employees. Among other matters, the compensation committee:

- reviews, modifies and approves (or, if it deems appropriate, makes recommendations to our board of directors regarding) corporate goals and objectives relevant to compensation of our Chief Executive Officer and other executive officers;

- evaluates the performance of these officers in light of those goals and objectives and determines and approves (or, if it deems appropriate, recommends to our board of directors for determination and approval) the compensation of these officers based on such evaluations;
- reviews, and for our executives officers approves, (or, if it deems appropriate, recommending to our board of directors for determination and approval) the issuance of awards under our stock plans; and
- reviews and evaluates, at least annually, the performance of the compensation committee and its members, including compliance by the compensation committee with its charter.

The members of our compensation committee are Robert Kittel (chairperson), James Hays and Marcia Dall. Each of the members of our Compensation Committee is a "non-employee director" as defined in Rule 16b-3 promulgated under the Exchange Act. James Hays and Marcia Dall are each an "outside director" as that term is defined in Section 162(m) of the Internal Revenue Code of 1986, as amended, or Section 162(m). The compensation committee operates under a written charter that satisfies the applicable standards of the SEC and Nasdaq.

Nominating and Corporate Governance Committee

The principal duties and responsibilities of the Nominating and Corporate Governance Committee are as follows:

- to identify candidates qualified to become directors, consistent with criteria approved by our Board of Directors;
- to recommend to our Board of Directors nominees for election as directors at the next annual meeting of stockholders or a special meeting of stockholders at which directors are to be elected, as well as to recommend directors to serve on the other committees of the Board of Directors;
- to recommend to our Board of Directors candidates to fill vacancies and newly created directorships on the Board;
- to identify best practices and recommend corporate governance principles, including giving proper attention and making effective responses to stockholder concerns regarding corporate governance;
- to develop and recommend to our Board of Directors guidelines setting forth corporate governance principles; and
- to oversee the evaluation of our Board of Directors and senior management.

The members of our Nominating and Corporate Governance Committee are J. Cameron MacDonald (chairperson), Andrew Robinson and Katharine Terry.

Compensation Committee Interlocks and Insider Participation

None of the expected members of our compensation committee has at any time been one of our officers or employees. None of our executive officers currently serves, or in the past fiscal year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers on our Board or compensation committee.

EXECUTIVE COMPENSATION

This section discusses the material components of the executive compensation program for our executive officers who are named in the "Summary Compensation Table" below. For the fiscal year ended December 31, 2021, our "named executive officers" and their positions were as follows:

- Andrew Robinson, our Chief Executive Officer;
- Mark Haushill, our Chief Financial Officer and Executive Vice President;
- Kirby Hill, our Executive Vice President and President of Industry Solutions, Captives and Programs; and
- John Burkhart, our Executive Vice President and President of Specialty Lines.

This discussion may contain forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. Actual compensation programs that we adopt following the closing of this offering may differ materially from the currently planned programs summarized in this discussion.

Summary Compensation Table

The following table sets forth information concerning the compensation of our named executive officers for the year ended December 31, 2021.

Name and Principal Position	Year	Salary ($)	Stock Awards ($)[1]	Non-Equity Incentive Plan Compensation ($)[6]	All other Compensation ($)	Total ($)
Andrew Robinson *Chief Executive Officer*	2021	$750,000	$950,000[2]	$ 1,285,000[7]	$172,198[10]	$ 3,157,198
Mark Haushill *Chief Financial Officer and Executive Vice President*	2021	$450,000	$150,000[3]	$ 250,000[8]	$ 14,500[11]	$ 864,500
Kirby Hill *Executive Vice President and President of Industry Solutions, Captives and Programs*	2021	$425,000	$143,333[4]	$ 296,667[9]	$ 14,500[11]	$ 879,500
John Burkhart *Executive Vice President and President of Specialty Lines*	2021	$383,333	$133,333[5]	$ 276,667[9]	$ 39,500[12]	$ 832,833

(1) Amounts calculated using the grant date fair market value as of December 31, 2020.

(2) Consists of the aggregate value of Long-Term Equity Awards granted under the 2020 Long Term Incentive Plan granted during fiscal year ended December 31, 2021. The value of the Restricted Stock Units equals $475,000 and upon vesting each unit is equivalent to one share of the Company's common stock. These awards will fully vest on the third anniversary of the grant date. The value of the Performance Share Awards (PSAs) equals $475,000 with vesting terms subject to obtaining specified performance criteria from January 1, 2021 through December 31, 2023. Each PSA is equivalent to one share of the

Company's common stock. The number of units subject to vest under this award can range from 0% to 150% of the amount shown. These awards will fully vest on the third anniversary of the grant date.

(3) Consists of the aggregate value of Long-Term Equity Awards granted under the 2020 Long Term Incentive Plan granted during fiscal year ended December 31, 2021. The value of the Restricted Stock Units equals $75,000 and upon vesting each unit is equivalent to one share of the Company's common stock. These awards will fully vest on the third anniversary of the grant date. The value of the Performance Share Awards (PSAs) equals $75,000 with vesting terms subject to obtaining specified performance criteria from January 1, 2021 through December 31, 2023. Each PSA is equivalent to one share of the Company's common stock. The number of units subject to vest under this award can range from 0% to 150% of the amount shown. These awards will fully vest on the third anniversary of the grant date.

(4) Consists of the aggregate value of Long-Term Equity Awards granted during fiscal year ended December 31, 2021. The value of the Restricted Stock Units equals $71,667 and upon vesting each unit is equivalent to one share of the Company's common stock. These Restricted Stock Units will fully vest on the third anniversary of the grant date. The value of the Performance Share Awards (PSAs) equals $71,667 with vesting terms subject to obtaining specified performance criteria from January 1, 2021 through December 31, 2023. Each PSA is equivalent to one share of the Company's common stock. The number of units subject to vest under this award can range from 0% to 150% of the amount shown. The PSAs will fully vest on the third anniversary of the grant date.

(5) Consists of the aggregate value of the Long-Term Equity Awards granted during fiscal year ended December 31, 2021. The value of the Restricted Stock Units equals $66,667 and upon vesting each unit is equivalent to one share of the Company's common stock. These Restricted Stock Units will fully vest on the third anniversary of the grant date. The value of the Performance Share Awards (PSAs) equals $66,667 with vesting terms subject to obtaining specified performance criteria from January 1, 2021 through December 31, 2023. Each PSA is equivalent to one share of the Company's common stock. The number of units subject to vest under this award can range from 0% to 150% of the amount shown. The PSAs will fully vest on the third anniversary of the grant date.

(6) Consists of the bonus amounts paid to each individual for the fiscal year ended December 31, 2021. These amounts are as follows: Mr. Robinson, $810,000; Mr. Haushill, $175,000; Mr. Hill, $225,000; Mr. Burkhart, $210,000.

(7) Consists of the value of Long-Term Performance Cash Awards granted during fiscal year ended December 31, 2021. The value of the Performance Units (PUs) equals $475,000 with vesting terms subject to performance criteria related to the Company's combined ratio from January 1, 2021 through December 31, 2023. Each PSU is equivalent to $100. The number of units subject to vest under this award can range from 0% to 150% of the amount shown. This award will fully vest on the third anniversary of the grant date.

(8) Consists of the value of Long-Term Performance Cash Awards granted during fiscal year ended December 31, 2021. The value of the Performance Units (PUs) equals $75,000 with vesting terms subject to performance criteria related to the Company's combined ratio from January 1, 2021 through December 31, 2023. Each PSU is equivalent to $100. The number of units subject to vest under this award can range from 0% to 150% of the amount shown. This award will fully vest on the third anniversary of the grant date.

(9) Long-Term Performance Cash Award was granted on January 1, 2021 with vesting terms subject to performance criteria related to the Company's combined ratio from January 1, 2021 through December 31, 2023. The amount subject to vest under this award can range from 0% to 150% of the amount shown. This award will fully vest as a lump sum cash payment on the third anniversary of the grant date.

(10) Consists of $157,698 in relocation and moving expenses and $14,500 of Company matched 401(k) contributions.

(11) Consists of $14,500 of Company matched 401(k) contributions.

(12) Consists of $25,000 in relocation and moving expenses and $14,500 of Company matched 401(k) contributions.

Employment Agreements

Andrew Robinson is the only named executive officer that we have entered into a written employment agreement.

Andrew Robinson

On May 22, 2020, we entered into an employment agreement, amended as of January 1, 2022, with Andrew Robinson, who currently serves as our Chief Executive Officer. Mr. Robinson's employment agreement provides for at-will employment and sets forth his annual base salary and annual performance-based cash bonus, as well as his eligibility to participate in our benefit plans generally. Mr. Robinson's current annual base salary is no less than $800,000 and his annual performance-based cash bonus is 100% of the annual base salary.

Under Mr. Robinson's employment agreement, in the event that Mr. Robinson's employment with us is terminated at any time without "cause" or Mr. Robinson resigns for "good reason," then subject to and contingent upon Mr. Robinson's execution and delivery of a release agreement, Mr. Robinson will be entitled to receive: (a) a lump sum cash payment in an amount equal to his base salary as of the date of termination; (b) continued benefits for one year; (c) payment of a prorated target annual bonus for the year in which the termination occurs; (d) payment of any earned and accrued bonus for the calendar year proceeding the calendar year in which his employment is terminated; and (e) acceleration of any time-vesting awards under the Company's Long-Term Incentive Plan. If Mr. Robinson is terminated without "cause" or resigns for "good reason" within twelve (12) months of a Change in Control he shall receive the above payments, as well as accelerated vesting of any performance based awards, based on the valuation of the Board in good faith.

Pursuant to Mr. Robinson's employment agreement, "cause" means (a) an act of dishonesty, fraud, theft, or embezzlement by Mr. Robinson with respect to us or our subsidiaries; (b) malfeasance or gross negligence in the performance of Mr. Robinson's duties; (c) commission or conviction of any felony, or entry of a plea of guilty or nolo contendere to any felony, conviction of any misdemeanor involving theft, defalcation, dishonesty or violence, or entry of a plea of guilty or nolo contendere to any misdemeanor involving theft, defalcation, dishonesty or violence, or conviction related to any crime of moral turpitude; (d) willfully refusing to perform his duties and responsibilities, or failure to adhere to the directions of the Board or our or any of our subsidiaries' corporate codes, policies, or procedures, as in effect or amended from time to time; (e) failure by Mr. Robinson to perform his duties and responsibilities hereunder (other than by reason of disability due to physical or mental impairment) without the same being corrected within thirty (30) days after being given written notice thereof, as determined by us in good faith; (f) the material breach by Mr. Robinson of any of the covenants contained in the employment agreement; and (g) violation of any statutory, material contractual, or common law duty or obligation to us or any of our affiliates, including, without limitation, Mr. Robinson duty of loyalty, and further with respect to (a)-(d) and (f)-(g), without the same being corrected within ten (10) days after being given written notice thereof.

Pursuant to Mr. Robinson's employment agreement, "good reason" means the occurrence of any of the following events:

(a) a material diminution in Mr. Robinson's Base Salary, Mr. Robinson's Annual Bonus opportunity, or Mr. Robinson's Annual LTI Award opportunity;

(b) a material diminution in Mr. Robinson's authority, duties, title, or responsibilities;

(c) the involuntary relocation of the geographic location of Mr. Robinson's principal place of employment that is not to a mutually-agreed location;

(d) a material breach by us of any material provision of the employment agreement; or

(e) removal of Mr. Robinson from the Board without cause pursuant to Sections 3.3 and 3.5 of the Amended and Restated Stockholders' Agreement by and among the Stockholders party thereto and the Company dated as of March 12, 2014.

Under his employment agreement, Mr. Robinson is also subject to a twelve (12) month non-compete provision, which is reduced to six (6) months if his termination is within a month of a Change in Control, and non-solicitation of employees and customers for one year, to run from the date of his termination.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information regarding outstanding equity awards held by our named executive officers as of December 31, 2021.

Name and Principal Position	Grant Date[1][2]	Number of Shares or Units of Stock that have not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested[3]	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
Andrew Robinson	01/01/2021	40,137[4]	$ —	—	—
Chief Executive Officer	01/01/2021	—	—	40,137[5]	$ [3]
	01/01/2021	—	—	4,750[6]	$ 475,000
	03/17/2021	42,249[7]	$ —	—	—
Mark Haushill	01/01/2021	6,337[4]	$ —	—	—
Chief Financial Officer and Executive Vice President	01/01/2021	—	—	6,337[5]	$ [3]
	01/01/2021	—	—	750[6]	$ 75,000
	06/30/2016	48,801[8]	$ —	—	—
Kirby Hill	01/01/2021	6,055[4]	$ —	—	—
Executive Vice President and President of Industry Solutions, Captives and Programs	01/01/2021	—	—	6,055[5]	$ [3]
John Burkhart	01/01/2021	5,633[4]	$ —	—	—
Executive Vice President and President of Specialty Lines	01/01/2021	—	—	5,633[5]	$ [3]

(1) All January 1, 2021 awards were granted pursuant to the 2020 Skyward Specialty Long-Term Incentive Plan.

(2) All other awards were granted pursuant to the Houston International Insurance Group, Ltd. 2016 Equity Incentive Program (the "2016 Equity Incentive Program").

(3) Market value is based on the fair market value of the Company's common stock as of December 31, 2021. As there was no public market for our common stock on December 31, 2021, we have assumed that the fair market value on December 31, 2021 was $, which is the midpoint of the price range set forth on the cover page of this prospectus.

(4) Amounts shown are Restricted Stock Units granted on January 1, 2021. Upon vesting each unit is equivalent to one share of the Company's common stock. These awards will fully vest on the third anniversary of the grant date.

(5) Performance Share Awards (PSAs) were awarded on January 1, 2021 with vesting terms subject to obtaining specified performance criteria from January 1, 2021 through December 31, 2023. Each PSA is equivalent to one share of the Company's common stock. The number of units subject to vest under this award can range from 0% to 150% of the amount shown. This award will fully vest on the third anniversary of the grant date.

(6) Performance Units (PUs) were awarded on January 1, 2021 with vesting terms subject to performance criteria related to the Company's combined ratio from January 1, 2021 through December 31, 2023. Each PU is equivalent to $100. The number of units subject to vest under this award can range from 0% to 150% of the amount shown. This award will fully vest on the third anniversary of the grant date.

(7) Mr. Robinson was granted 63,374 shares of Restricted Stock on March 17, 2021, as a match to shares purchased under the 2016 Employee Incentive Program. The award is subject to three-year ratable vesting with one-third vesting on his anniversary of service date each year. The first tranche vested on May 22, 2021. The second tranche vested on May 22, 2022. The third and final tranche will vest on May 22, 2023. Upon the consummation of this public offering all unvested shares shall immediately vest.

(8) Mr. Haushill entered into a promissory note for the purchase of 73,541 Shares of Restricted Stock on June 30, 2016 under the 2016 Employee Incentive Program and received a match of 73,541 under the 2016 Employee Incentive Program. As of December 31, 2021, Mr. Haushill had 48,801 unvested shares relating to the match under the 2016 Employee Incentive Program. As of April 29, 2022 this promissory note was paid in full and all shares were vested.

Employee Benefit and Equity Incentive Plans

2022 Long-Term Incentive Plan (2022 Plan)

In September 2022, our board of directors adopted, and our stockholders approved, the 2022 Plan, which will become effective immediately prior to the closing of this offering. We intend to use the 2022 Plan following the completion of this offering to provide incentives that will assist us to attract, retain, and motivate employees, including officers, consultants, and directors.

The 2022 Plan will remain in effect, subject to the right of our board of directors or Compensation Committee to amend or terminate the 2022 Plan at any time, until the earlier of (a) the earliest date as of which all awards granted under the 2022 Plan have been satisfied in full or terminated and no shares of common stock approved for issuance under the 2022 Plan remain available to be granted under new awards, or (b) September 22, 2032. No awards will be granted under the 2022 Plan after such termination date. Subject to other applicable provisions of the 2022 Plan, all awards made under the 2022 Plan on or before September 22, 2032, or such earlier termination of the 2022 Plan, shall remain in effect until such awards have been satisfied or terminated in accordance with the 2022 Plan and the terms of such awards.

The 2022 Plan will be administered by the Compensation Committee. The Compensation Committee has the authority, in its sole and absolute discretion, to grant awards under the 2022 Plan to eligible individuals, and to take all other actions necessary or desirable to carry out the purpose and intent of the 2022 Plan. Further, the Compensation Committee has the authority, in its sole and absolute discretion, subject to the terms and conditions of the 2022 Plan, to, among other things:

- determine the eligible individuals to whom, and the time or times at which, awards shall be granted;
- determine the type of awards to be granted to any eligible individual;
- determine the number of shares of common stock to be covered by or used for reference purposes for each award or the value to be transferred pursuant to any award; and
- determine the terms, conditions and restrictions applicable to each award and any shares of common stock acquired pursuant thereto, including, without limitation, (i) the purchase price of any shares of common stock, (ii) the method of payment for shares of common stock purchased pursuant to any award, (iii) the method for satisfying any tax withholding obligation arising in connection with any award, including by the withholding or delivery of shares of common stock, (iv) the timing, terms and conditions of the exercisability, vesting or payout of any award or any shares of common stock acquired pursuant thereto, (v) the performance goals applicable to any award and the extent to which such performance goals have been attained, (vi) the time of the expiration of an award, (vii) the effect of a participant's Termination of Service, as defined in the 2022 Plan, on any of the foregoing and (viii) all other terms, conditions and restrictions applicable to any award or shares of common stock acquired pursuant thereto as the Administrator considers to be appropriate and not inconsistent with the terms of the 2022 Plan.

Shares equal to 8.5% of our issued and outstanding common stock immediately following the completion of this offering will be initially authorized and reserved for issuance under the 2022 Plan. This reserve will automatically increase on January 1, 2023 and each subsequent anniversary through 2032, by an amount equal to the smaller of (a) 2% of the number of shares of common stock issued and outstanding on the

immediately preceding December 31, or (b) an amount determined by the Compensation Committee. This reserve will not be increased to include any shares issuable upon exercise of options granted under the 2020 Plan that expire or terminate without having been exercised in full.

Appropriate adjustments will be made in the number of authorized shares and other numerical limits in the 2022 Plan and in outstanding awards to prevent dilution or enlargement of participants' rights in the event of a stock split or other change in our capital structure. Shares subject to awards which expire, are cancelled, forfeited, terminated unearned, settled in cash, or withheld or surrendered in payment of an exercise price or taxes under the 2022 Plan will again become available for issuance under the 2022 Plan.

Subject to adjustment as provided in the provision of the 2022 Plan pertaining to the occurrence of certain corporate transactions, the maximum number of shares of common stock that may be issued pursuant to stock options granted under the 2022 Plan that are intended to qualify as incentive stock options is equal to 8.5% of our issued and outstanding common stock immediately following the completion of this offering.

The Compensation Committee may establish compensation for directors who are not our employees, provided that the sum of any cash compensation and the grant date fair value of Awards granted under the 2022 Plan to a non-employee director as compensation for services as a non-employee director during any calendar year may not exceed $750,000 for an annual grant. The Compensation Committee, in its discretion, may make exceptions to this limit for individual non-employee directors in extraordinary circumstances.

Awards may be granted individually or in tandem with other types of awards, concurrently with or with respect to outstanding awards. All awards will be evidenced by a written agreement between us and the holder of the award and may include any of the following:

- *Stock options.* We may grant non-statutory stock options or incentive stock options (as described in Section 422 of the Code), each of which gives its holder the right, during a specified term (not exceeding ten years) and subject to any specified vesting or other conditions, to purchase a number of shares of our common stock at an exercise price per share determined by the Administrator, which may not be less than the fair market value of a share of our common stock on the date of grant.
- *Stock appreciation rights.* A stock appreciation right, or SAR, gives its holder the right, during a specified term (not exceeding ten years) and subject to any specified vesting or other conditions, to receive the appreciation in the fair market value of our common stock between the date of grant of the award and the date of its exercise. We may pay the appreciation in shares of our common stock or in cash.
- *Restricted stock.* We may grant restricted stock awards. Shares of restricted stock remain subject to forfeiture until vested, based on such terms and conditions as we specify. Holders of restricted stock will have the right to vote the shares and to receive any dividends paid, except that the dividends may be subject to the same vesting conditions as the related shares.
- *Restricted stock units.* Restricted stock units, or RSUs, represent rights to receive shares of our common stock (or their value in cash) at a future date without payment of a purchase price, subject to vesting or other conditions specified by the Administrator. Holders of RSUs have no voting rights or rights to receive cash dividends unless and until shares of common stock are issued in settlement of such awards. However, the Administrator may grant RSUs that entitle their holders to dividend equivalent rights.
- *Performance awards.* Performance awards, consisting of either performance shares or performance units, are awards that will result in a payment to their holder only if specified performance goals are achieved during a specified performance period. The Administrator establishes the applicable performance goals based on one or more measures of business performance, such as combined ratio or gross written premiums growth. To the extent earned, performance awards may be settled in cash, in shares of our common stock or a combination of both in the discretion of the Administrator. Holders of performance shares or performance units have no voting rights or rights to receive cash dividends unless and until shares of common stock are issued in settlement of such awards. However, the Administrator may grant performance shares that entitle their holders to dividend equivalent rights.
- *Cash-based awards and other share-based awards.* The Administrator may grant cash-based awards that specify a monetary payment or range of payments or other share-based awards that specify a

number or range of shares or units that, in either case, are subject to vesting or other conditions specified by the Administrator. Settlement of these awards may be in cash or shares of our common stock, as determined by the Administrator. Their holders will have no voting rights or right to receive cash dividends unless and until shares of our common stock are issued pursuant to the awards. The Administrator may grant dividend equivalent rights with respect to other share-based awards.

In the event of a change in control, as defined in the 2022 Plan, outstanding awards will terminate upon the effective time of the change in control unless provision is made for the continuation, assumption or substitution of awards by the surviving or successor entity or its parent. Unless an award agreement says otherwise, the following will occur with respect to awards that terminate in connection with a change in control:

- stock options and stock appreciation rights will become fully exercisable and holders of these awards will be permitted immediately before the change in control to exercise them;
- restricted stock and stock units with time-based vesting (i.e., not subject to achievement of performance goals) will become fully vested immediately before the change in control, and stock units will be settled as promptly as is practicable in accordance with applicable law; and
- performance shares and units that vest based on the achievement of performance goals will vest as if the performance goal for the unexpired performance period had been achieved at the target level; and the performance units will be settled as promptly as is practicable in accordance with applicable law.

In connection with the grant of awards, each participant will be required to enter into an agreement with us containing confidentiality, non-solicitation, and/or other provisions. If the Compensation Committee determines that a participant has breached such agreement all of a participant's vested and unvested shares received, awarded, vested or granted pursuant to restricted share awards shall immediately be cancelled.

2022 Employee Stock Purchase Plan (ESPP)

In September 2022, our board of directors adopted, and our stockholders approved, the ESPP, which will become effective immediately prior to the closing of this offering.

The purpose of the ESPP is to attract, retain and reward our employees who contribute to our growth and profitability by providing them with an opportunity to acquire an ownership interest in the Company.

Shares equal to 1.0% of our issued and outstanding common stock immediately following the completion of this offering will be available for sale under the ESPP. In addition, the ESPP provides for annual increases in the number of shares available for issuance under the ESPP on January 1, 2023 and each subsequent anniversary through 2032, equal to the smallest of:

- 1% of the outstanding shares of our common stock on the immediately preceding December 31; or
- 214,500 shares; or
- such other amount as may be determined by our Compensation Committee.

Appropriate adjustments will be made in the number of authorized shares and in outstanding purchase rights to prevent dilution or enlargement of participants' rights in the event of a stock split or other change in our capital structure. Shares subject to purchase rights which expire or are cancelled will again become available for issuance under the ESPP.

The Compensation Committee will administer the ESPP and have full authority to interpret the terms of the ESPP. The ESPP provides, subject to certain limitations, for indemnification by us of any director, officer or employee against all reasonable expenses, including attorneys' fees, incurred in connection with any legal action arising from such person's action or failure to act in administering the ESPP.

All of our employees, including our named executive officers, are eligible to participate if they are customarily employed at least 20 hours per week and more than five months in any calendar year. Non-employee directors are not eligible to participate in the ESPP. Employees will be limited to purchasing $25,000 of stock each year and will not be able to purchase if such a purchase would cause the employee to own 5% or more of our stock.

The ESPP is intended to qualify under Section 423 of the Code and the ESPP shall be so construed. The ESPP will typically be implemented through two consecutive six-month offering periods. The offering periods generally start on or about March 1st and September 1st of each year after an enrollment period. The Compensation Committee may, in its discretion, modify the terms of future offering periods, including establishing offering periods of up to 27 months and providing for multiple purchase dates.

The ESPP permits participants to purchase common stock through payroll deductions of up to 15.0% of their regular gross earnings and overtime payments. Other types of compensation are not considered part of compensation for purposes of the ESPP.

Unless provided otherwise by the Compensation Committee, the purchase price of the shares will be 85.0% of the lower of the fair market value of our common stock on the first trading day of the offering period or on the last day of the offering period. Participants may end their participation at any time during an offering period and will be paid their accrued payroll deductions that have not yet been used to purchase shares of common stock. Participation ends automatically upon termination of employment with us.

Each participant in any offering will have an option to purchase for each full month contained in the offering period a number of shares which shall be the lesser of (i) the number of shares determined by dividing $2,083.33 by the fair market value of a share of our common stock on the first day of the offering period or (ii) 300 shares, and except as limited in order to comply with Section 423 of the Code. Prior to the beginning of any offering period, the Compensation Committee may alter the maximum number of shares that may be purchased by any participant during the offering period or specify a maximum aggregate number of shares that may be purchased by all participants in the offering period. If insufficient shares remain available under the plan to permit all participants to purchase the number of shares to which they would otherwise be entitled, the Administrator will make a pro rata allocation of the available shares. Any amounts withheld from participants' compensation in excess of the amounts used to purchase shares will be refunded, without interest.

A participant may not transfer rights granted under the ESPP other than by will, the laws of descent and distribution or as otherwise provided under the ESPP as described below. In the event of a change in control, an acquiring or successor corporation may assume our rights and obligations under outstanding purchase rights or substitute substantially equivalent purchase rights. If the acquiring or successor corporation does not assume or substitute for outstanding purchase rights, then the purchase date of the offering periods then in progress will be accelerated to a date prior to the change in control.

The ESPP will continue in effect until terminated by the Compensation Committee. The Compensation Committee has the authority to amend, suspend or terminate the ESPP at any time.

2020 Long-Term Incentive Plan (2020 Plan)

The 2020 Plan was adopted by our board of directors on November 10, 2020. The purpose of the 2020 Plan was to attract, motivate and retain certain key employees, including officers, and non-employee directors by offering them incentive awards that recognize the creation of value for the shareholders and promote our long-term growth and success.

Awards granted under the 2020 Plan were one of five types: (1) Restricted Shares; (2) Restricted Stock Units; (3) Performance Shares; (4) Performance Units; or (5) Long-Term Performance Cash (collectively, the "Awards"). No Awards will be made under the 2020 Plan after the completion of this offering. All Awards granted prior to the completion of this offering will continue to be administered pursuant to the terms of the 2020 Plan.

The 2020 Plan was administered by our Compensation Committee. Subject to the provisions of the 2020 Plan, the Compensation Committee in its sole and absolute discretion, determined the persons to whom and the times at which Awards were granted, the sizes of such Awards and all of their terms and conditions. The Compensation Committee had the authority to construe and interpret the terms of the 2020 Plan and Awards granted under it. The 2020 Plan provided, subject to certain limitations, for indemnification by us of any director, officer, or employee against all reasonable expenses, including attorneys' fees, incurred in connection with any legal action arising from such person's action or failure to act in administering the 2020 Plan.

The Compensation Committee may, but is not required to, establish a maximum number of Units and/or Shares with respect to which Awards may be granted under the 2020 Plan. As of December 31, 2021, there were an aggregate of 250,267 shares and units outstanding under the 2020 Plan. Appropriate adjustment will be made in outstanding Awards to prevent dilution or enlargement of a participants' rights in the event of a stock split or other change in our capital structure.

The 2020 Plan provided for vesting acceleration upon a "double trigger event" which is defined as either : (1) termination by the Company without cause (as defined in the 2020 Plan); or (2) a "constructive termination" (as defined in the 2020 Plan) of a participant's employment, within twenty-four (24) months after a "change in control" (as defined in the 2020 Plan). In the event of a sale or closure of a business unit where a participant is hired by the purchaser, all Awards will be forfeited if the purchaser has a comparable incentive plan in which the employee will participate. If the purchaser does not have a comparable incentive plan, a portion of the unvested Award will vest. The 2020 Plan provides for pro rata acceleration in the event a participant terminates service due to death or "disability" (as defined in the 2020 Plan).

In connection with the grant of Awards, each participant was required to enter into an agreement with us containing confidentiality, non-solicitation, and/or other provisions. If the Compensation Committee determines that a participant has breached such agreement all of a participant's vested and unvested shares received, awarded, vested or granted pursuant to restricted share awards shall immediately be cancelled.

All provisions of the 2020 Plan may at any time or from time to time be modified or amended by the Compensation Committee as long as no outstanding Award is adversely modified, impaired or canceled without the consent of the Award holder. The Compensation Committee may suspend or terminate the 2020 Plan at any time. The termination of the 2020 Plan shall not impair or affect any Award previously granted and the rights of the holder of the Award shall remain in effect until the Award has been paid in its entirety or has expired or otherwise has been terminated in accordance with the terms of such Award.

Pre-2020 Stock Purchase Programs

Prior to 2020, we had two different stock purchase programs, one effective in 2016 and one that began in 2011 and ended in 2015 (the "Programs"). The Programs allowed key employees to purchase our common stock at a price based on the fair value of our common stock at the end of the quarter in which the employee committed to the purchase. We then matched all purchases with stock grants. The Programs required an initial cash payment by the participating employee of at least 30% of the purchase price, with the remainder financed by a note from the employee to us. Grants awarded prior to 2016 vested as stock was paid for by the employee. Starting in 2016, a three-year vesting requirement was added with one third of any paid-for stock vesting each year. Once the employee was employed for three years, the only condition to vesting was payment of the note, as with the pre-2016 program. The last grant under the Programs was made in January 2021 and no further grants will be made under the Programs.

401(k) Plan

We maintain a retirement savings plan, or 401(k) Plan, for the benefit of our eligible employees, including our named executive officers. Our 401(k) Plan is intended to qualify under Section 401 of the Internal Revenue Code. Each participant in the 401(k) Plan may contribute up to the statutory limit of his or her pre-tax compensation. We make matching contributions of 100% of the first 5% contributed by employees, up to the statutory compensation limits. All matching contributions are 50% vested after one year of service and 100% vested after two years of service. The 401(k) Plan provides for automatic salary deferrals of 5% of compensation upon hiring. If an employee elects a deferral percentage less than 5%, the deferral is escalated by 1% each year up to a max of 5%. Participants are permitted to waive the automatic deferral and escalation provisions.

Limitation of Liability and Indemnification

Our Certificate of Incorporation and our Bylaws will provide that we are permitted to indemnify our directors and officers, in each case to the fullest extent permitted by Delaware law. Our Bylaws will also provide that we may indemnify a director, officer, employee or agent (including the advancement of the final disposition of any action or proceeding), and permit us to secure insurance on behalf of any officer, director,

employee or other agent for any liability arising out of his or her actions in that capacity regardless of whether we would otherwise be permitted to indemnify him or her under Delaware law.

We have entered into indemnification agreements that limit the liability of our directors for monetary damages to the fullest extent permitted by Delaware law, with certain exceptions. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law, or the DGCL; or
- any transaction from which the director derived an improper personal benefit.

Our indemnification agreements also provide advance expenses to our directors, executive officers and other employees as determined by our board of directors. With specified exceptions, these agreements provide for indemnification for related expenses including, among other things, attorneys' fees, judgments, fines and settlement amounts incurred by any of these individuals in any action or proceeding. We believe that these Bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our Bylaws and our indemnification agreements may discourage stockholders from bringing a lawsuit against our directors and officers for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and our stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage.

Director Compensation

Non-independent directors do not receive compensation for their service on the Board. Effective April 1, 2022, independent directors, or their designees, will receive an annual retainer in the amount of $50,000 for their service on the Board. The Chair of the Audit Committee receives an additional annual retainer of $20,000. The Chair of the Compensation Committee receives an additional annual retainer of $15,000. Our independent directors, or their designees, will also be eligible to receive grants of our common stock under the 2022 Plan that fully vest after the first anniversary of the grant date. Directors will be required to have a minimum equity holding of five times (5x) of their annual base cash retainer, with five years to achieve such holding levels. Directors do not receive any fees for attending board or committee meetings. We also reimburse all directors (including employee directors) for reasonable out-of-pocket expenses they incur in connection with their service as directors.

On January 1, 2021, each of our independent directors received $100,000 worth of common stock for their service on the Board for 2021 that will fully vest after the third anniversary of the grant date. Additionally, on March 1, 2021, each of our independent directors received an additional $100,000 worth of common stock for their service on the Board during 2020 that will fully vest after the third anniversary of the grant date.

The following table sets forth information regarding compensation earned by our independent directors for service on the Board during the year ended December 31, 2021.

Name	Fees Earned or Paid in Cash ($)[1]	Stock Awards ($)	All Other Compensation ($)	Total ($)
J. Cameron MacDonald	—	—	—	—
Bill Andrus[2]	—	—	—	—
Robert Creager	$ 65,000[3]	$ 250,000[4][5]	$ 50,000[6]	$ 365,000
James Hays	$ 50,000	$ 200,000[4]	—	$ 250,000
Robert Kittel	—	—	—	—
Donald D. Larson[7]	$ 50,000	$ 200,000[4]	—	$ 250,000
Stephen Way[8]	—	—	$ 2,600,000[9]	

(1) Reflects the aggregate dollar amount of fees earned or paid in cash for services rendered as a non-independent director, including fees for service as a committee chairperson, and board and committee meeting fees.

(2) Mr. Andrus resigned from the Board in April 2022.

(3) Amount reflected includes the fees paid to Mr. Creager for his service as the Chairman of the Audit Committee in January 2022, totaling $15,000.

(4) Represents the aggregate grant date fair value computed for stock awards granted in 2021 for services rendered by independent directors in 2020 and 2021.

(5) Mr. Creager was awarded a one-time share award of fifty-thousand dollars ($50,000) that vested immediately for board services rendered in years prior.

(6) Mr. Creager was awarded a one-time cash award of fifty-thousand dollars ($50,000) for board services rendered in years prior.

(7) Mr. Larson resigned from the Board in April 2022.

(8) Mr. Way resigned from the Board in April 2022.

(9) Amounts paid to Mr. Way were pursuant to the Consulting Agreement with the Company. See the section entitled “Certain Relationships and Related Party Transactions” for more details.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Other than the compensation agreements and other arrangements described in the "Executive Compensation" section of this prospectus and the transactions described below, since January 1, 2019 there has not been and there is not currently proposed, any transaction or series of similar transactions to which we were, or will be, a party in which the amount involved exceeded, or will exceed, $120,000 and in which any director, executive officer, holder of 5% or more of any class of our capital stock or any member of the immediate family of, or entities affiliated with, any of the foregoing persons, had, or will have, a direct or indirect material interest.

Sale and Issuance of Preferred Stock and Related Promissory Notes

Rights Offering

In April 2020, we conducted a rights offering pursuant to which we sold shares of our Series A convertible preferred stock at a price per share of $50 to participating stockholders, including certain of our executive officers, directors and holders of more than 5% of our common stock, for an aggregate purchase price of $86,321,955. The following table sets forth the aggregate number of shares of our Series A convertible preferred stock that we issued and sold to our directors, officers and 5% stockholders and their affiliates in this transaction and the aggregate amount of consideration for such shares:

Purchaser[1]	Shares of Series A Convertible Preferred Stock	Cash purchase price
Daniel Bodnar	549.000	$ 27,450
Robert Creager	1,530.798	$ 76,540
Mark Haushill	17,776.240	$ 888,812
James Hays (held companies JWayne LLC, Marquis Lafayette LLC)	309,132.539	$ 15,456,627
Kirby Hill[2]	581.935	$ 29,097
L. Byron Way	10,738.996	$ 536,950
Stephen Way	111,009.820	$ 5,550,491
Caffrey Partners, LLC	197,513.685	$ 9,875,684
Mt. Whitney Securities, LLC	197,534.599	$ 9,876,730
The Westaim Corporation	880,071.479	$ 44,003,574

(1) See the section entitled "Principal and Selling Stockholders" for additional information about shares held by these entities.

(2) Amount of shares shown is the total following a forfeiture of 412.825 shares due to a corresponding reduction in the amounts due under Mr. Hill's Promissory Note.

Promissory Notes

In connection with the rights offering, we entered into promissory notes with certain of our executive officers and directors pursuant to which we loaned such individuals the aggregate purchase price for the shares purchased in the offering. Mr. Bodnar, Mr. Haushill, Mr. Hill, Mr. L. Way and Mr. S. Way each entered into a promissory note with a principal amount reflecting the full amount of the price paid for the preferred shares. The notes held by Mr. Bodnar, Mr. Haushill and Mr. Hill were repaid in full prior to the public filing of the registration statement of which this prospectus forms a part.

Transactions with Stephen Way and his affiliates

In June and July of 2020 and January 1, 2022, we entered into consulting agreements with Stephen Way, our former Chief Executive Officer, former Director and founder. Mr. Way's current consulting agreement

provides for a monthly fee of $183,000 and $150,000 for calendar years 2022 and 2023, respectively, an additional fee of $65,000 paid following signing of the consulting agreement, and a performance fee for achievement of certain objectives set forth in the agreement. Mr. Way will provide services relating to our underwriting business as specifically requested by us. The agreement continues until December 31, 2023, unless extended by mutual agreement. For the years ended December 31, 2021 and 2020, we paid Mr. Way consulting fees of approximately $2.6 million, and $2.2 million, respectively.

In October 2017, we entered into a lease agreement for use of a corporate aircraft with SLW Aviation, Inc., which is 100% owned by Stephen Way (the "Aviation Lease"). The Aviation Lease was terminated in May, 2020. For the years ended December 31, 2021, 2020 and 2019, we paid fees of $0, approximately $334,000 and approximately $975,000 pursuant to the lease agreement.

Stephen Way's son, L. Byron Way, serves as CEO, Skyward Accident & Health Division. During fiscal 2021, L. Byron Way earned $360,000 in base salary, $142,000 in bonus payments, received a relocation payment of $45,000 and received 2,788 restricted stock units with an aggregate grant date fair value of $33,000.

Transaction with The Westaim Corporation and its affiliates

In August 2019, we entered into a management services agreement with Westaim, which will terminate automatically in connection with the closing of this offering. For the fiscal years ended December 31, 2021, 2020 and 2019, we paid Westaim $500,000, $500,000 and $791,667, respectively, pursuant to the management services agreement.

In November 2015, our subsidiaries HSIC, IIC and GMIC, entered into an investment management agreement with Arena Investors, which is controlled by Westaim for Arena Investors to act as one our investment managers. For the fiscal years ended December 31, 2021, 2020 and 2019, we incurred various investment management expenses from Arena Investors of approximately $4.4 million, $2.8 million and $0.5 million, respectively, pursuant to the respective investment management or partnership agreements.

Transaction with Everest Reinsurance Company

From time to time, we have entered into reinsurance agreements with Everest Reinsurance Company ("Everest"), an affiliate of Mt. Whitney Securities, LLC, a holder of more than 5% of our Class A common stock. These agreements are entered into in the ordinary course of business and are the result of arms-length negotiation. We recorded $101.2 million, $101.0 million and $117.3 million of reinsurance premiums ceded during the years ended December 31, 2021, 2020 and 2019 respectively, related to the agreements. Reinsurance recoverable from Everest Re, net of premium payables, was $168.8 million, $162.4 million and $186.2 million as of December 31, 2021, 2020 and 2019, respectively.

In June 2021, we entered into a co-surety arrangement with Everest Reinsurance Company, an affiliate of Mt. Whitney Securities, which allows GMIC to write treasury listed bonds beyond certain thresholds. We incurred an administrative fee of $60,000 for the year ended December 31, 2021.

Transaction with Mark Haushill

On April 22, 2022, we entered into a letter agreement with Mr. Haushill which provides that, in the event that we have not completed an initial public offering of our common stock by December 31, 2022 (and do not have a registration statement filed with the SEC for our initial public offering), we will repurchase from Mr. Haushill 98,540 shares of common stock for an aggregate price of $995,392.21 and 17,677.296 shares of Series A preferred stock for an aggregate purchase price of $883,864.79. Concurrent with such repurchase, we will loan Mr. Haushill $995,392, with such amount used to purchase 49,270 shares of our common stock, and Mr. Haushill will issue us a promissory note for such principal amount at the then applicable federal rate under terms substantially the same as our existing 2016 promissory notes with a maturity date of December 31, 2025 (the "Common Stock Note"). In addition, we will loan Mr. Haushill $883,865, with such amount used to purchase 17,677.296 shares of Series A preferred stock and Mr. Haushill will issue us a promissory note for such a principal amount at the then applicable federal rate under terms substantially the same as our existing 2020 promissory notes with a maturity date of December 31, 2025 (the "Preferred Stock Note" and, together with the Common Stock Note, the "Notes"). Further, at such time, we will grant Mr. Haushill 49,270 restricted shares, which shares will vest upon the repayment of the Common Stock Note.

Stockholders' Agreement

On March 12, 2014, we entered into an Amended and Restated Stockholders' Agreement, with certain holders of our common stock, including our five percent stockholders and entities affiliated with our directors. Our Amended and Restated Stockholders' Agreement provides these holders with a right of first refusal for certain sales of our securities by certain holders therein, certain information delivery rights, including with respect to our financial statements and budget, and inspection rights, which will terminate immediately prior to the closing of this offering. In addition, our Amended and Restated Stockholders' Agreement provides these holders the right, following the closing of this offering and subject to certain conditions, to demand that we file a registration statement or request that their shares be covered by a registration statement that we are otherwise filing. See the section entitled "Description of Capital Stock — Registration Rights" for additional information regarding these registration rights. The Amended and Restated Stockholders' Agreement will terminate automatically upon the closing of this offering, except that the registration rights shall survive.

Indemnification Agreements and Directors' and Officers' Liability Insurance

We have entered into indemnification agreements with each of our directors and executive officers. These agreements, among other things, require us to indemnify each director and executive officer to the fullest extent permitted by Delaware law, subject to certain exceptions, including indemnification of expenses such as attorneys' fees, judgments, penalties fines and settlement amounts incurred by the director or executive officer in any action or proceeding, including any action or proceeding by or in right of us, arising out of the person's services as a director or executive officer.

Policies and Procedures for Related Party Transactions

Our board of directors has adopted a written related person transaction policy, to be effective upon the consummation of this offering, setting forth the policies and procedures for the review and approval or ratification of related person transactions. This policy will cover, with certain exceptions set forth in Item 404 of Regulation S-K under the Securities Act, any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships in which we were or are to be a participant, where the amount involved exceeds $120,000 and a related person had or will have a direct or indirect material interest, including, without limitation, purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, guarantees of indebtedness and employment by us of a related person. In reviewing and approving any such transactions, our audit committee is tasked to consider all relevant facts and circumstances, including, but not limited to, whether the transaction is on terms comparable to those that could be obtained in an arm's length transaction with an unrelated third party and the extent of the related person's interest in the transaction. All of the transactions described in this section occurred prior to the adoption of this policy.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of our common stock as of October 31, 2022, and as adjusted to reflect the sale of our common stock offered by us and the selling stockholders in this offering, for:

- each of our named executive officers;
- each of our directors;
- all of our current directors and executive officers as a group;
- each person, or group of affiliated persons, known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock; and
- each of the selling stockholders.

We have determined beneficial ownership in accordance with the rules of the SEC, which generally means that a person has beneficial ownership of a security if he or she possesses sole or shared voting or investment power of that security, including options that are currently exercisable or exercisable, or restricted stock or restricted stock units vesting, within 60 days of October 31, 2022. Unless otherwise indicated, to our knowledge, the persons and entities named in the table below have sole voting and sole investment power with respect to all shares that they beneficially own, subject to community property laws where applicable. The information in the table below does not necessarily indicate beneficial ownership for any other purpose, including for purposes of Sections 13(d) and 13(g) of the Securities Act.

We have based our calculation of the percentage of beneficial ownership prior to this offering on 16,544,974 shares of common stock outstanding as of October 31, 2022. We have based our calculation of the percentage of beneficial ownership after this offering on shares of common stock outstanding immediately after the closing of this offering. In computing the number of shares beneficially owned by an individual or entity and the percentage ownership of that person, shares of common stock subject to options, convertible securities or other rights, held by such person that are currently exercisable or will become exercisable within 60 days of October 31, 2022, are considered outstanding. We did not, however, deem such shares outstanding for the purpose of computing the percentage ownership of any other person.

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o 800 Gessner Road, Suite 600, Houston, Texas 77024.

			Shares Offered Hereby		Shares Beneficially Owned After this Offering			
	Shares Beneficially Owned Prior to this Offering		Assuming No Exercise of the Underwriters' Option	Assuming Full Exercise of the Underwriters' Option	Assuming No Exercise of the Underwriters' Option		Assuming Full Exercise of the Underwriters' Option	
Name of Beneficial Owner[1]	Number	Percentage	Number	Number	Number	Percentage	Number	Percentage
5% and Greater Shareholders:								
The Westaim Corporation[2]	14,677,597							
Caffrey Partners, LLC[3]	1,851,057							
Mt. Whitney Securities, LLC[4]	3,269,636							
James C. Hays[5]	2,965,677							
Named Executive Officers and Directors:								
Andrew Robinson	126,748							
Mark Haushill[6]	286,555							
Kirby Hill[7]	9,632							
John Burkhart	—							
J. Cameron MacDonald	—							

	Shares Beneficially Owned Prior to this Offering		Shares Offered Hereby		Shares Beneficially Owned After this Offering			
			Assuming No Exercise of the Underwriters' Option	Assuming Full Exercise of the Underwriters' Option	Assuming No Exercise of the Underwriters' Option		Assuming Full Exercise of the Underwriters' Option	
Name of Beneficial Owner[1]	Number	Percentage	Number	Number	Number	Percentage	Number	Percentage
Robert Creager[8]	46,266							
James C. Hays[5]	2,965,677							
Robert Kittel	—							
All executive officers and directors as a group (13 persons)[9]	3,465,008							
Other Selling Stockholders:								
Other Selling Stockholders								

* less than 1%.

(1) For purposes of this table, we have assumed that the Westaim HIIG Limited Partnership (the "Westaim Partnership") has redeemed LP units for Company common stock and distributed such stock to all non-Canadian LPs in the Westaim Partnership. Westaim HIIG GP Inc. ("HIIG GP"), a wholly-owned subsidiary of The Westaim Corporation, is the general partner of Westaim Partnership. The redemption of LP units and the distribution of Company common stock by the Westaim Partnership is expected to occur on or prior to the effectiveness of the IPO.

(2) Consists of 7,392,238 shares of common stock held and controlled by The Westaim Corporation through the HIIG GP and shares of Series A Preferred Stock convertible into 7,285,359 shares of common stock. The voting and investment power of the shares held by The Westaim Corporation are held by the senior management of the Westaim Corporation at the direction of The Westaim Corporation's board of directors. The board of directors of The Westaim Corporation consist of Ian Delaney as chair, Stephen Cole, John Gildner, Lisa Mazzocco, Kevin E. Parker, Bruce V. Walter and J. Cameron MacDonald. The senior management team of The Westaim Corporation consists of J. Cameron MacDonald as President and CEO, Robert Kittel as Chief Operating Officer and Glenn MacNeil as Chief Financial Officer. The address for The Westaim Corporation is 70 York Street, Suite 1700, Toronto, Ontario, Canada M5J 1S9.

(3) Consists of 216,010 shares of common stock held and shares of Series A Preferred Stock convertible into 1,635,047 shares of common stock. Vincent J. Dowling, Jr. is managing member of Caffrey Partners, LLC and may be deemed to share voting and dispositive power over the shares held by Caffrey Partners, LLC. The address for the entities affiliated with Caffrey Partners, LLC is P.O. Box 644490, Vero Beach, FL 32964.

(4) Consists of 1,634,416 shares of common stock held and shares of Series A Preferred Stock convertible into 1,635,220 shares of common stock. Matthew Taranto is the Head of Alternative Assets at Mt. Whitney Securities, LLC and may be deemed to share voting and dispositive power over the shares held by Mt. Whitney Securities, LLC. The address for Mt. Whitney Securities, LLC is 405 Lexington Avenue, 59th Floor, New York, New York 10174.

(5) Consists of: (i) 23,630 shares of common stock held directly, (ii) shares of Series A Preferred Stock convertible into 2,175,851 shares of common stock held by Jwayne LLC, (iii) shares of Series A Preferred Stock convertible into 383,192 shares of common stock held by Marquis Lafayette LLC, and (iv) 383,004 shares of common stock held by Marquis Lafayette LLC. Mr. Hays serves as the controlling member for Jwayne LLC and Marquis Lafayette LLC.

(6) Consists of 143,241 shares of common stock held and shares of Series A Preferred Stock convertible into 143,314 shares of common stock.

(7) Consists of 4,815 shares of common stock held and shares of Series A Preferred Stock convertible into 4,817 shares of common stock.

(8) Consists of 33,594 shares of common stock held and shares of Series A Preferred Stock convertible into 12,672 shares of common stock.

(9) Consists of 740,618 shares of common stock held and shares of Series A Preferred Stock convertible into 2,724,390 shares of common stock.

DESCRIPTION OF CAPITAL STOCK

General

As of the closing of this offering, our authorized capital stock will consist of 500,000,000 shares of common stock, par value $0.01 per share, and 10,000,000 shares of preferred stock, par value $0.01 per share.

The following descriptions of our capital stock, provisions of our Certificate of Incorporation, our Bylaws and the Amended and Restated Stockholders Agreement are summaries and are qualified by reference to the full text of those documents, copies of which will be filed with the SEC as exhibits to the registration statement of which this prospectus forms a part. The following summary of relevant provisions of the DGCL is qualified by the full text of such provisions. The description of our capital stock reflects changes to our capital structure that will occur prior to the closing of this offering.

Common Stock

As of September 30, 2022, we had 16,544,974 shares of common stock outstanding and 1,969,660 shares of preferred stock outstanding. After giving effect to the conversion of all outstanding shares of preferred stock into shares of common stock immediately prior to the completion of this offering and a 4-for-1 reverse stock split, there would have been 32,850,087 shares of common stock outstanding on September 30, 2022, held of record by 86 stockholders.

The holders of common stock will be entitled to one vote per share on all matters to be voted upon by the stockholders. The holders of common stock will be entitled to receive ratably those dividends, if any, that may be declared from time to time by our board of directors out of funds legally available, subject to preferences that may be applicable to preferred stock, if any, then outstanding. In the event of a liquidation, dissolution or winding up of our company, the holders of common stock will be entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding. The common stock will have no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. Following the completion of this offering, all outstanding shares of common stock will be fully paid and non-assessable.

Preferred Stock

No shares of preferred stock will be issued or outstanding immediately after the offering contemplated by this prospectus. Our Certificate of Incorporation will authorize our board of directors to establish one or more series of preferred stock (including convertible preferred stock). Unless required by law or any stock exchange, the authorized shares of preferred stock will be available for issuance without further action by the holders of our common stock. Our board of directors will be able to determine, with respect to any series of preferred stock, the powers (including voting powers), preferences and relative, participating, optional or other special rights, and the qualifications, limitations, or restrictions thereof, including:

- the designation of the series;
- the number of shares of the series, which our board of directors may, except where otherwise provided in the preferred stock designation, increase (but not above the total number of authorized shares of the class) or decrease (but not below the number of shares then outstanding);
- whether dividends, if any, will be cumulative or non-cumulative and the dividend rate of the series;
- the dates at which dividends, if any, will be payable;
- the redemption or repurchase rights and price or prices, if any, for shares of the series;
- the terms and amounts of any sinking fund provided for the purchase or redemption of shares of the series;
- the amounts payable on shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding-up of our affairs;
- whether the shares of the series will be convertible into shares of any other class or series, or any other security, of us or any other entity, and, if so, the specification of the other class or series or other

security, the conversion price or prices or rate or rates, any rate adjustments, the date or dates as of which the shares will be convertible and all other terms and conditions upon which the conversion may be made;

- restrictions on the issuance of shares of the same series or of any other class or series; and
- the voting rights, if any, of the holders of the series.

We could issue a series of preferred stock that could, depending on the terms of the series, impede or discourage an acquisition attempt or other transaction that some, or a majority, of the holders of our common stock might believe to be in their best interests or in which the holders of our common stock might receive a premium over the market price of the shares of our common stock. Additionally, the issuance of preferred stock may adversely affect the rights of holders of our common stock by restricting dividends on the common stock, diluting the voting power of the common stock, or subordinating the liquidation rights of the common stock. As a result of these or other factors, the issuance of preferred stock could have an adverse impact on the market price of our common stock.

Registration Rights

Upon the closing of this offering, certain holders of shares of our common stock, which shares we refer to as "registrable securities," will be entitled to rights with respect to the registration of these registrable securities under the Securities Act. These rights are provided under the terms of the Amended and Restated Stockholders' Agreement. The Amended and Restated Stockholders' Agreement includes demand registration rights and piggyback registration rights. Holders of 14,567,140 shares of our common stock will be entitled to demand registration rights and holders of 24,342,339 shares of our common stock will be entitled to piggyback registration rights.

All underwriting discounts applicable to the sale of registrable securities pursuant to the Amended and Restated Stockholders' Agreement shall be borne by the holders of registrable securities participating in such sale. Any additional expenses incurred in connection with exercise of registration rights under the Amended and Restated Stockholders' Agreement, including all registration, filing and qualification fees, printers' and accounting fees, and fees and disbursements of our counsel shall be borne by us.

Subject to certain exceptions contained in the Amended and Restated Stockholders' Agreement, the underwriters may limit the number of shares included in an underwritten offering by holders of registrable securities to the number of shares which the underwriters determine in their sole discretion will not jeopardize the success of the offering.

Demand Registration Rights

Form S-1. If at any time following the effective date of the registration statement of which this prospectus forms a part, a holder of registrable securities representing at least 10% of our outstanding common stock requests in writing that we effect a registration and the anticipated price to the public of such registrable securities is $7.0 million or more, we may be required to register their shares. We are obligated to effect at most four registrations for the holders of registrable securities in response to these demand registration rights, subject to certain exceptions.

Form S-3. If at any time we become entitled under the Securities Act to register our shares on Form S-3, a holder of registrable securities representing at least 10% of our outstanding common stock requests in writing that we register their shares for public resale on Form S-3 and the price to the public of the offering is $7.0 million or more, we will be required to provide notice to all holders of registrable securities and to use all reasonable efforts to effect such registration; provided, however, that we will not be required to effect such a registration if, we have already effected four registrations on Form S-1 for the holders of registrable securities.

Piggyback Registration Rights

After the closing of this offering, if we propose to register the offer and sale of any of our securities under the Securities Act in connection with the public offering of such securities, the holders of registrable securities representing at least 2% of our outstanding common stock will be entitled to certain "piggyback" registration

rights allowing such holders to include their shares in such registration, subject to certain limitations. As a result, whenever we propose to file a registration statement under the Securities Act, other than with respect to a registration related solely to an employee benefit plan, a registration related solely to a corporate reorganization or transaction under Rule 145 of the Securities Act or any rule adopted by the SEC in substitution thereof or amendment thereto, or a registration on any registration form which does not include substantially the same information as would be required to be included in a registration statement covering the sale of registrable securities, the holders of these shares are entitled to notice of the registration and have the right to include their shares in the registration.

Anti-Takeover Matters in our Governing Documents and Under Delaware Law

Our Certificate of Incorporation and our Bylaws will contain, and the DGCL contains, provisions that are intended to enhance the likelihood of continuity and stability in the composition of our board of directors. These provisions are intended to avoid costly takeover battles, reduce our vulnerability to a hostile or abusive change of control, and enhance the ability of our board of directors to maximize stockholder value in connection with any unsolicited offer to acquire us. However, these provisions may have an antitakeover effect and may delay, deter, or prevent a merger or acquisition by means of a tender offer, a proxy contest, or other takeover attempt that a stockholder might consider in its best interest, including those attempts that might result in a premium over the prevailing market price for the shares of common stock held by stockholders.

Authorized but unissued capital stock

The authorized but unissued shares of common stock and preferred stock are available for future issuance without stockholder approval, subject to any limitations imposed by the listing standards of Nasdaq. These additional shares may be used for a variety of corporate finance transactions, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock and preferred stock could make more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger, or otherwise.

Classified board of directors

Our Certificate of Incorporation will provide that our board of directors will be divided into three classes, with the classes as nearly equal in number as possible and each class serving three-year staggered terms. Directors may only be removed from our board of directors for cause by the affirmative vote of at least a majority of the confirmed voting power of our common stock. In addition, our Certificate of Incorporation will provide that, subject to the rights granted to one or more series of preferred stock then outstanding, any newly created directorship on the board of directors that results from an increase in the number of directors and any vacancies on our board of directors will be filled only by the affirmative vote of a majority of the remaining directors, even if less than a quorum, or by a sole remaining director. These provisions may have the effect of deferring, delaying, or discouraging hostile takeovers, changes in control of us or changes in our management.

Delaware Anti-Takeover Law

After this offering, we will be subject to Section 203 of the DGCL, which is an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years following the date that the person became an interested stockholder, unless the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Generally, a business combination includes a merger, asset or stock sale, or another transaction resulting in a financial benefit to the interested stockholder. Generally, an interested stockholder is a person who, together with affiliates and associates, owns 15% or more of the corporation's outstanding voting stock or is the corporation's affiliate or associate and was the owner of 15% or more of the corporation's outstanding voting stock at any time within the three-year period immediately before the date of determination. The existence of this provision may have an anti-takeover effect with respect to transactions that are not approved in advance by our board, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

No cumulative voting

Under Delaware law, the right to vote cumulatively does not exist unless the certificate of incorporation specifically authorizes cumulative voting. Our Certificate of Incorporation will not authorize cumulative

voting. Therefore, stockholders holding a majority of the shares of our stock entitled to vote generally in the election of directors will be able to elect all of our directors.

Special stockholder meetings

Our Certificate of Incorporation will provide that special meetings of our stockholders may be called at any time only by or at the direction of the board of directors or the chair of the board of directors. Our Bylaws will prohibit the conduct of any business at a special meeting other than as specified in the notice for such meeting. These provisions may have the effect of deferring, delaying, or discouraging hostile takeovers or changes in control or management.

Director nominations and stockholder proposals

Our Bylaws will establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors or a committee of the board of directors. In order for any matter to be "properly brought" before a meeting, a stockholder will have to comply with advance notice requirements and provide us with certain information. Generally, to be timely, a stockholder's notice must be received at our principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary date of the immediately preceding annual meeting of stockholders. Our Bylaws will also specify requirements as to the form and content of a stockholder's notice. Our Bylaws will allow the chair of a meeting of the stockholders to adopt rules and regulations for the conduct of that meeting that may have the effect of precluding the conduct of certain business at that meeting if the rules and regulations are not followed. These provisions may also defer, delay, or discourage a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to influence or obtain control.

Stockholder action by written consent

Pursuant to Section 228 of the DGCL, any action required to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice, and without a vote if a consent or consents in writing, setting forth the action so taken, is or are signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of our stock entitled to vote thereon were present and voted, unless the certificate of incorporation provides otherwise. Our Certificate of Incorporation will only permit stockholder action by unanimous written consent.

Amendment of Certificate of Incorporation or Bylaws

The DGCL provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless a corporation's certificate of incorporation or bylaws, as the case may be, requires a greater percentage. Upon the closing of this offering, our Bylaws may be amended or repealed by a majority vote of our board of directors or by the affirmative vote of the holders of at least 66⅔% of the votes which all our stockholders would be entitled to cast in any annual election of directors. In addition, the affirmative vote of the holders of at least 66⅔% of the votes which all our stockholders would be entitled to cast in any election of directors will be required to amend or repeal or to adopt any provisions inconsistent with any of the provisions of our Certificate of Incorporation described above.

The foregoing provisions of our Certificate of Incorporation and our Bylaws could discourage potential acquisition proposals and could delay or prevent a change in control. These provisions are intended to enhance the likelihood of continuity and stability in the composition of our board of directors and in the policies formulated by our board of directors and to discourage certain types of transactions that may involve an actual or threatened change of control. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares of common stock that could result from actual or rumored takeover attempts. Such provisions also may have the effect of preventing changes in our management or delaying or preventing a transaction that might benefit you or other minority stockholders.

Exclusive forum

Our Certificate of Incorporation will provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware be the sole and exclusive forum for: (1) any derivative action or proceeding brought on behalf of our company, (2) any action asserting a claim of breach of fiduciary duty owed by any director (including any director serving as a member of the Executive Committee), officer, agent, or other employee or stockholder of our company to us or our stockholders, (3) any action asserting a claim arising pursuant to any provision of the DGCL, our Certificate of Incorporation or our Bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware, or (4) any action asserting a claim governed by the internal affairs doctrine, in each case subject to such Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein. It will further provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America shall, to the fullest extent permitted by law, be the sole and exclusive forum for the resolutions of any complaint asserting a cause of action arising under the Securities Act. Furthermore, this application to Securities Act claims and Section 22 of the Securities Act create concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Accordingly, there is uncertainty as to whether a court would enforce such provision, and our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder. However, this exclusive forum provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. Although we believe these provisions benefit us by providing increased consistency in the application of applicable law in the types of lawsuits to which they apply, the provisions may have the effect of discouraging lawsuits against our directors and officers. The enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings and there is uncertainty as to whether a court would enforce such provisions. In addition, investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. It is possible that, in connection with any applicable action brought against us, a court could find the choice of forum provisions contained in our Certificate of Incorporation to be inapplicable or unenforceable in such action. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and consented to the forum provisions in our Certificate of Incorporation.

Limitations of liability and indemnification

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties, subject to certain exceptions. We have also entered into and will continue to enter into indemnification agreements with our directors and executive officers which provide that we must indemnify and advance expenses to our directors and officers to the fullest extent authorized by the DGCL, subject to certain exceptions as described in "Certain Relationships and Related Party Transactions — Indemnification agreements." Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors or executive officers, we have been informed that in the opinion of the SEC such indemnification is against public policy and is therefore unenforceable. We are expressly authorized to carry directors' and officers' liability insurance providing indemnification for our directors, officers and certain employees for some liabilities. We believe these indemnification and advancement provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability, indemnification and advancement provisions in our indemnification agreements and our Bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

There is currently no pending material litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought.

Transfer Agent and Registrar

Upon the closing of this offering, the transfer agent and registrar for our common stock will be American Stock Transfer Trust Company, LLC. The transfer agent's address is 6201 15th Avenue, Brooklyn, NY 11219.

Exchange Listing

We have applied to list our common stock on Nasdaq under the symbol "SKWD."

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock, and we cannot predict the effect, if any, that market sales of shares of our common stock or the availability of shares of our common stock for sale will have on the market price of our common stock prevailing from time to time. Future sales of our common stock in the public market, or the availability of such shares for sale in the public market, could adversely affect market prices prevailing from time to time. As described below, only a limited number of shares of our common stock will be available for sale shortly after this offering due to contractual and legal restrictions on resale. Nevertheless, sales of our common stock in the public market after such restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price at such time and our ability to raise equity capital in the future.

Following the closing of this offering, based on the number of shares of our capital stock outstanding as of September 30, 2022, 16,544,974 shares of common stock will be outstanding, assuming no exercise of the underwriters' option to purchase additional shares to cover over-allotments, if any, and no exercise of outstanding options. Of these outstanding shares, all of the shares of our common stock sold in this offering will be freely tradable, except that any shares purchased in this offering by our affiliates, as that term is defined in Rule 144 under the Securities Act, would only be able to be sold in compliance with the Rule 144 limitations described below.

The remaining outstanding shares of our common stock not sold in this offering will be, and shares subject to stock options will, upon issuance, be deemed "restricted securities" as defined in Rule 144 under the Securities Act. Restricted securities may be sold in the public market only if they are registered or if they qualify for an exemption from registration under Rule 144 or Rule 701 under the Securities Act, which rules are summarized below. Substantially all of our selling stockholders and our executive officers, directors and holders of our capital stock and securities exchangeable or exercisable for our capital stock have entered lock-up agreements with the underwriters under which they have agreed, subject to certain customary exceptions, not to sell any of our stock for 180 days following the date of this prospectus. As a result of these agreements and subject to the provisions of Rule 144 or Rule 701, shares of our common stock will be available for sale in the public market as follows:

- beginning on the date of this prospectus, all shares of our common stock sold in this offering will be immediately available for sale in the public market; and
- beginning 180 days after the date of this prospectus, the remaining shares of our common stock will be eligible for sale in the public market from time to time thereafter, subject in some cases to the volume and other restrictions of Rule 144, as described below.

Lock-Up Agreements

We, our officers, directors, substantially all the selling stockholders and holders of substantially all of our capital stock and securities convertible into or exchangeable for our capital stock have agreed or will agree, with the underwriters, that, subject to certain exceptions, for a period of 180 days after the date of this prospectus, we and they will not, and will not cause or direct any of our or their respective affiliates to, without the prior written consent of Barclays Capital Inc. and Keefe, Bruyette & Woods, Inc., (i) offer, sell, contract to sell, pledge, grant any option to purchase, lend or otherwise dispose of any shares of common stock, any options or warrants to purchase any shares of common stock or any securities convertible into or exchangeable for or that represent the right to receive shares of our common stock, (ii) engage in any hedging or other transaction or arrangement (including, without limitation, any short sale or the purchase or sale of, or entry into, any put or call option, or combination thereof, forward, swap or any other derivative transaction or instrument, however described or defined) which is designed to or which reasonably could be expected to lead to or result in a sale, loan, pledge or other disposition (whether by such holder or someone other than such holder), or transfer of any of the economic consequences of ownership, in whole or in part, directly or indirectly, of any shares of common stock or derivative instruments, whether any such transaction or arrangement (or instrument provided for thereunder) would be settled by delivery of common stock or other securities, in cash or otherwise, or (iii) otherwise publicly announce any intention to engage in or cause any action or activity described in clauses (i) or (ii) above. Barclays Capital Inc. and Keefe, Bruyette & Woods, Inc. may, in their discretion, release any of the securities subject to lock-up agreements at any time. When

determining whether or not to release our common stock and other securities from lock-up agreements, Barclays Capital Inc. and Keefe, Bruyette & Woods, Inc. will consider, among other factors, the holder's reasons for requesting the release, the number of shares for which the release is being requested and market conditions at the time of the request. In the event of such a release or waiver for one of our directors or officers, Barclays Capital Inc. and Keefe, Bruyette & Woods, Inc. shall provide us with notice of the impending release or waiver at least three business days before the effective date of such release or waiver and we will announce the impending release or waiver by issuing a press release at least two business days before the effective date of the release or waiver. See the section entitled "Underwriting — Lock-Up Agreements".

Rule 144

In general, under Rule 144 as currently in effect, once we have been subject to the public company reporting requirements of Section 13 or Section 15(d) of the Exchange Act for at least 90 days, a person who is not deemed to have been one of our affiliates for purposes of the Securities Act at any time during the 90 days preceding a sale and who has beneficially owned the shares of our common stock proposed to be sold for at least six months is entitled to sell those shares without complying with the manner of sale, volume limitation or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then that person would be entitled to sell those shares without complying with any of the requirements of Rule 144.

In general, under Rule 144, as currently in effect, our affiliates or persons selling shares of our common stock on behalf of our affiliates are entitled to sell upon expiration of the market standoff agreements and lock-up agreements described above, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the number of shares of our capital stock then outstanding, which will equal shares immediately after this offering; or
- the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to that sale.

Sales under Rule 144 by our affiliates or persons selling shares of our common stock on behalf of our affiliates are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 701

Rule 701 generally allows a stockholder who purchased shares of our capital stock pursuant to a written compensatory plan or contract and who is not deemed to have been an affiliate of our company during the immediately preceding 90 days to sell these shares in reliance upon Rule 144, but without being required to comply with the public information, holding period, volume limitation or notice provisions of Rule 144. Rule 701 also permits affiliates of our company to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. All holders of Rule 701 shares, however, are required to wait until 90 days after the date of this prospectus before selling those shares pursuant to Rule 701.

S-8 Registration Statement

We intend to file a registration statement on Form S-8 under the Securities Act promptly after the closing of this offering to register shares of our common stock subject to options outstanding, as well as reserved for future issuance, under our equity compensation plans. The registration statement on Form S-8 is expected to become effective immediately upon filing, and shares of our common stock covered by the registration statement will then become eligible for sale in the public market, subject to the Rule 144 limitations applicable to affiliates, vesting restrictions and any applicable market standoff agreements and lock-up agreements. See the section captioned "Executive Compensation — Employee Benefit and Equity Incentive Plans" for a description of our equity compensation plans.

Registration Rights

We have granted certain registration rights to certain of our stockholders to sell our common stock. Registration of the sale of these shares under the Securities Act would result in these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration, except for shares purchased by affiliates. See the section entitled "Description of Capital Stock — Registration Rights" for additional information. Shares covered by a registration statement will be eligible for sale in the public market upon the expiration or release from the terms of the lock-up agreement.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following is a summary of the material U.S. federal income tax consequences to non-U.S. holders (as defined below) of the ownership and disposition of our common stock issued pursuant to this offering. This discussion is not a complete analysis of all potential U.S federal income tax consequences relating thereto, does not address the potential application of the alternative minimum tax or Medicare contribution tax on net investment income, and does not address any estate or gift tax consequences (other than those specifically set forth below) or any tax consequences arising under any state, local or foreign tax laws, or any other U.S. federal tax laws. This discussion is based on the Code, Treasury Regulations promulgated thereunder, judicial decisions and published rulings and administrative pronouncements of the IRS, all as in effect on the date of this prospectus supplement. These authorities are subject to differing interpretations and may change, possibly retroactively, resulting in U.S. federal income tax consequences different from those discussed below. We have not requested a ruling from the IRS with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS or a court will agree with such statements and conclusions.

This discussion is limited to non-U.S. holders who purchase our common stock pursuant to this offering and who hold our common stock as a "capital asset" within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all of the U.S. federal income tax consequences that may be relevant to an individual holder in light of such holder's particular circumstances. This discussion also does not consider any specific facts or circumstances that may be relevant to non-U.S. holders subject to special rules under the U.S. federal income tax laws, including:

- certain former citizens or long-term residents of the United States;
- partnerships or other pass-through entities (and investors therein);
- "controlled foreign corporations";
- "passive foreign investment companies";
- corporations that accumulate earnings to avoid U.S. federal income tax;
- banks, financial institutions, investment funds, insurance companies, brokers, dealers or traders in securities;
- tax-exempt organizations and governmental organizations;
- tax-qualified retirement plans;
- persons subject to special tax accounting rules under Section 451(b) of the Code;
- persons that own or have owned, actually or constructively, more than 5% of our common stock;
- persons who have elected to mark securities to market; and
- persons holding our common stock as part of a hedging or conversion transaction or straddle, or a constructive sale, or other risk reduction strategy or integrated investment.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds our common stock, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. Partnerships holding our common stock and the partners in such partnerships are urged to consult their tax advisors about the particular U.S. federal income tax consequences to them of holding and disposing of our common stock.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE PARTICULAR U.S. FEDERAL INCOME TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF OUR COMMON STOCK, AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER ANY STATE, LOCAL OR FOREIGN TAX LAWS AND ANY OTHER U.S. FEDERAL TAX LAWS.

Definition of Non-U.S. Holder

For purposes of this discussion, a non-U.S. holder is any beneficial owner of our common stock that is not a "U.S. person" or a partnership (including any entity or arrangement treated as a partnership) or other pass-through entity for U.S. federal income tax purposes. A U.S. person is any person that, for U.S. federal income tax purposes, is or is treated as any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation (including any entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust (1) whose administration is subject to the primary supervision of a U.S. court and which has one or more United States persons who have the authority to control all substantial decisions of the trust or (2) that has a valid election in effect under applicable Treasury Regulations to be treated as a United States person.

If you are an individual non-U.S. citizen, you may, in some cases, be deemed to be a resident alien (as opposed to a nonresident alien) by virtue of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year. Generally, for this purpose, all the days present in the current year, one-third of the days present in the immediately preceding year, and one-sixth of the days present in the second preceding year, are counted.

Resident aliens are generally subject to U.S. federal income tax as if they were U.S. citizens. Individuals who are uncertain of their status as resident or nonresident aliens for U.S. federal income tax purposes are urged to consult their tax advisors regarding the U.S. federal income tax consequences of the ownership or disposition of our common stock.

Distributions on Our Common Stock

If we distribute cash or other property on our common stock, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts distributed in excess of our current and accumulated earnings and profits will constitute a return of capital and will first be applied against and reduce a non-U.S. holder's tax basis in our common stock, but not below zero. Any distribution in excess of a non-U.S. basis will be treated as gain realized on the sale or other disposition of our common stock and will be treated as described in the "Gain On Disposition of Our Common Stock" section below.

Subject to the discussion below regarding effectively connected income, backup withholding and FATCA (as defined below), dividends paid to a non-U.S. holder of our common stock generally will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends or such lower rate specified by an applicable income tax treaty. To receive the benefit of a reduced treaty rate, a non-U.S. holder must furnish the applicable withholding agent with a valid IRS Form W-8BEN or IRS Form W-8BEN-E (or applicable form) certifying such non-U.S. holder's qualification for the reduced rate. This certification must be provided to the applicable withholding agent before the payment of dividends and must be updated periodically. If the non-U.S. holder holds our common stock through a financial institution or other agent acting on the non-U.S. holder's behalf, the non-U.S. holder will be required to provide appropriate documentation to the agent, which then will be required to provide certification to the applicable withholding agent, either directly or through other intermediaries.

If a non-U.S. holder holds our common stock in connection with the conduct of a trade or business in the United States, and dividends paid on our common stock are effectively connected with such holder's U.S. trade or business (and are attributable to such holder's permanent establishment or fixed base in the United States if required by an applicable tax treaty), the non-U.S. holder will generally be exempt from U.S. federal withholding tax, provided that the non-U.S. holder furnishes a valid IRS Form W-8ECI (or applicable successor form) to the applicable withholding agent.

However, any such effectively connected dividends paid on our common stock generally will be subject to U.S. federal income tax on a net income basis at the regular U.S. federal income tax rates in the same manner

as if such holder were a resident of the United States. A non-U.S. holder that is a foreign corporation also may be subject to an additional branch profits tax equal to 30% (or such lower rate specified by an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, as adjusted for certain items.

Non-U.S. holders that do not provide the required certification on a timely basis, but that qualify for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. holders should consult their tax advisors regarding any applicable income tax treaties that may provide for different rules.

Gain on Disposition of Our Common Stock

Subject to the discussion below regarding backup withholding and FATCA, a non-U.S. holder generally will not be subject to U.S. federal income tax on any gain realized on the sale or other disposition of our common stock, unless:

- the gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States and, if required by an applicable income tax treaty, is attributable to a permanent establishment or fixed base maintained by the non-U.S. holder in the United States;
- the non-U.S. holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition, and certain other requirements are met; or
- our common stock constitutes a "U.S. real property interest" by reason of our status as a U.S. real property holding corporation ("USRPHC"), for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding the disposition or the non-U.S. holder's holding period for our common stock, and our common stock is not regularly traded on an established securities market during the calendar year in which the sale or other disposition occurs.

Determining whether we are a USRPHC depends on the fair market value of our U.S. real property interests relative to the fair market value of our other trade or business assets and our foreign real property interests. We believe we are not currently and we do not anticipate becoming a USRPHC for U.S. federal income tax purposes, although there can be no assurance we will not in the future become a USRPHC.

Gain described in the first bullet point above generally will be subject to U.S. federal income tax on a net income basis at the regular U.S. federal income tax rates in the same manner as if such non-U.S. holder were a resident of the United States. A non-U.S. holder that is a foreign corporation also may be subject to an additional branch profits tax equal to 30% (or such lower rate specified by an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, as adjusted for certain items. Gain described in the second bullet point above will be subject to U.S. federal income tax at a flat 30% rate (or such lower rate specified by an applicable income tax treaty), but may be offset by certain U.S.-source capital losses (even though the individual is not considered a resident of the United States), provided that the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses. Gain described in the third bullet point above will generally be subject to federal income tax in the same manner as gain that is effectively connected with the conduct of a U.S. trade or business (subject to any provisions under an applicable income tax treaty), except that the branch profits tax generally will not apply.

Non-U.S. holders should consult their tax advisors regarding any applicable income tax treaties that may provide for different rules.

U.S. Federal Estate Tax

The estates of nonresident alien individuals generally are subject to U.S. federal estate tax on property with a U.S. situs. Because we are a U.S. corporation, our common stock will be U.S. situs property and, therefore, will be included in the taxable estate of a nonresident alien decedent, unless an applicable estate tax treaty between the United States and the decedent's country of residence provides otherwise. The terms "resident" and "nonresident" are defined differently for U.S. federal estate tax purposes than for U.S. federal income tax purposes. Investors are urged to consult their tax advisors regarding the U.S. federal estate tax consequences of the ownership or disposition of our common stock.

Information Reporting and Backup Withholding

Annual reports are required to be filed with the IRS and provided to each non-U.S. holder indicating the amount of dividends on our common stock paid to such holder and the amount of any tax withheld with respect to those dividends. These information reporting requirements apply even if no withholding was required because the dividends were effectively connected with the holder's conduct of a U.S. trade or business, or withholding was reduced or eliminated by an applicable income tax treaty. This information also may be made available under a specific treaty or agreement with the tax authorities in the country in which the non-U.S. holder resides or is established.

Backup withholding, currently at a 24% rate, generally will not apply to payments to a non-U.S. holder of dividends on or the gross proceeds of a disposition of, our common stock provided the non-U.S. holder furnishes the required certification for its non-U.S. status, such as by providing a valid IRS Form W-8BEN, IRS Form W-8BEN-E or IRS Form W-8ECI, or certain other requirements are met. Backup withholding may apply if the payor has actual knowledge, or reason to know, that the holder is a U.S. person who is not an exempt recipient.

Backup withholding is not an additional tax. If any amount is withheld under the backup withholding rules, the non-U.S. holder should consult with a U.S. tax advisor regarding the possibility of and procedure for obtaining a refund or a credit against the non-U.S. holder's U.S. federal income tax liability, if any.

Withholding on Foreign Entities

The Foreign Account Tax Compliance Act ("FATCA"), as reflected in Sections 1471 through 1474 of the Code, imposes a U.S. federal withholding tax of 30% on certain payments, including dividends paid in respect of our common stock and the gross proceeds of disposition on our common stock, made to a "foreign financial institution" (as specially defined under these rules) unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding certain U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners) or an exemption applies. FATCA also generally will impose a U.S. federal withholding tax of 30% on certain payments, including dividends paid in respect of our common stock and the gross proceeds of disposition on our common stock, made to a non-financial foreign entity unless such entity provides the withholding agent a certification identifying certain direct and indirect U.S. owners of the entity or an exemption applies. An intergovernmental agreement between the United States and an applicable foreign country may modify these requirements. Under certain circumstances, a non-U.S. holder might be eligible for refunds or credits of such taxes. FATCA currently applies to dividends paid on our common stock. Proposed Treasury Regulations, which may be relied upon until final Treasury Regulations are finalized, currently eliminate FATCA withholding on payments of gross proceeds from sales or other dispositions of our common stock.

Prospective investors are encouraged to consult with their tax advisors regarding the possible implications of FATCA on their investment in our common stock.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS TAX ADVISOR REGARDING THE TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF OUR COMMON STOCK, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAW, AS WELL AS TAX CONSEQUENCES ARISING UNDER ANY STATE, LOCAL, NON-U.S. OR U.S. FEDERAL NON-INCOME TAX LAWS SUCH AS ESTATE AND GIFT TAX.

UNDERWRITING

Barclays Capital Inc. and Keefe, Bruyette & Woods, Inc. are acting as the representatives of the underwriters and book-running managers of this offering. Under the terms of an underwriting agreement, which will be filed as an exhibit to the registration statement, with respect to the shares being offered, each of the underwriters named below has severally agreed to purchase from us and the selling stockholders the respective number of shares of common stock shown opposite its name below:

Underwriters	Number of Shares
Barclays Capital Inc.	
Keefe, Bruyette & Woods, Inc.	
Piper Sandler & Co.	
JMP Securities LLC	
Truist Securities, Inc.	
Raymond James & Associates, Inc.	
Academy Securities, Inc.	
Siebert Williams Shank & Co., LLC	
Total	

The underwriting agreement provides that the underwriters' obligation to purchase shares of common stock depends on the satisfaction of the certain conditions contained in the underwriting agreement including:

- the obligation to purchase all of the shares of common stock offered hereby (other than those shares of common stock covered by their option to purchase additional shares as described below), if any of the shares are purchased;
- the representations and warranties made by us to the underwriters are true;
- there is no material change in our business or the financial markets; and
- we deliver customary closing documents to the underwriters.

Discounts and Expenses

The following table summarizes the underwriting discounts we and the selling stockholders will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares. The underwriting fee is the difference between the initial price to the public and the amount the underwriters pay to us for the shares.

Paid by Us	No Exercise	Full Exercise
Per Share	$	$
Total	$	$

Paid by the Selling Stockholders	No Exercise	Full Exercise
Per Share	$	$
Total	$	$

The representatives have advised us that the underwriters propose to offer the shares of common stock directly to the public at the offering price on the cover of this prospectus and to selected dealers, which may include the underwriters, at such offering price less a selling concession not in excess of $ per share. If all the shares are not sold at the initial offering price following the initial offering, the representatives may change the offering price and other selling terms.

The expenses of the offering that are payable by us are estimated to be approximately $ (excluding underwriting discounts). We have agreed to reimburse the underwriters for up to $35,000 for certain of their expenses.

Option to Purchase Additional Shares

The selling stockholders have granted the underwriters an option exercisable for 30 days after the date of this prospectus to purchase, from time to time, in whole or in part, up to an aggregate of shares at the offering price less underwriting discounts. This option may be exercised to the extent the underwriters sell more than shares in connection with this offering. To the extent that this option is exercised, each underwriter will be obligated, subject to certain conditions, to purchase its pro rata portion of these additional shares based on the underwriter's percentage underwriting commitment in this offering as indicated in the above table.

Lock-Up Agreements

We, and all of our directors and executive officers, substantially all the selling stockholders and the holders of substantially all of our outstanding stock have agreed that, for a period of 180 days after the date of this prospectus subject to certain limited exceptions as described below, we and they will not directly or indirectly, without the prior written consent of each of Barclays Capital Inc. and Keefe, Bruyette & Woods, Inc., (1) offer for sale, sell, pledge, or otherwise dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any shares of common stock (including, without limitation, shares of common stock that may be deemed to be beneficially owned by us or them in accordance with the rules and regulations of the SEC and shares of common stock that may be issued upon exercise of any options or warrants) or securities convertible into or exercisable or exchangeable for common stock (other than the stock and shares issued pursuant to employee benefit plans, qualified stock option plans, or other employee compensation plans existing on the date of this prospectus, or sell or grant options, rights or warrants with respect to any shares of common stock or securities convertible into or exchangeable for common stock, (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of shares of common stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of common stock or other securities, in cash or otherwise, (3) make any demand for or exercise any right or confidentially submit or file or cause a registration statement to be filed or confidentially submitted, including any amendments thereto, with respect to the registration of any shares of common stock or securities convertible, exercisable or exchangeable into common stock or any of our other securities (other than any registration statement on Form S-8), or (4) publicly disclose the intention to do any of the foregoing.

The restrictions above do not apply to: .

a. transactions relating to shares of common stock or other securities acquired in the open market after the completion of the offering,

b. any stock that the undersigned may purchase in the offering,

c. (i) bona fide gifts to any person, (ii) contributions to a family foundation for bona fide estate or tax planning purposes, (iii) sales, transfers or other dispositions of shares of any class of our capital stock, in each case that are made exclusively between and among the undersigned or members of the undersigned's family, or any trust for the direct or indirect benefit of the undersigned or members of the undersigned's family, or affiliates of the undersigned, or (iv) if the undersigned is a corporation, limited partnership, limited liability company or other entity, transfers to its shareholders, limited partners or members; *provided* that it shall be a condition to any transfer pursuant to this clause (c) that: the transferee/donee agrees to be bound by the terms of this lock-up letter agreement (including, without limitation, the restrictions set forth in the preceding sentence) to the same extent as if the transferee/donee were a party hereto, (a) each party (donor, donee, transferor or transferee) shall not be required by law (including without limitation the disclosure requirements of the Securities and the Exchange Act to make, and shall agree to not voluntarily make, any filing or public announcement of the transfer or disposition prior to the expiration of the lock-up period referred to above, and (b) the undersigned notifies Barclays Capital Inc. and Keefe, Bruyette & Woods, Inc. at least two business days prior to the proposed transfer or disposition,

d. the exercise of stock options granted pursuant to our stock option/incentive plans or otherwise outstanding on the date hereof; *provided*, that the restrictions shall apply to shares of common stock issued upon such exercise,

e. the establishment of any contract, instruction or plan that satisfies all of the requirements of Rule 10b5-1 (a "Rule 10b5-1 Plan") under the Exchange Act; *provided, however*, that no sales of common stock or securities convertible into, or exchangeable or exercisable for, common stock, shall be made pursuant to a Rule 10b5-1 Plan prior to the expiration of the lock-up period (as the same may be extended pursuant to the provisions hereof); *provided further*, that the establishment of a Rule 10b5-1 Plan does not violate any guidance or rules set forth by the Commission after the date hereof; *provided further*, that we are not required to report the establishment of such Rule 10b5-1 Plan in any public report or filing with the Commission under the Exchange Act during the lock-up period and does not otherwise voluntarily effect any such public filing or report regarding such Rule 10b5-1 Plan,

f. any demands or requests for, exercises of any right with respect to, or taking of any action in preparation of, the registration by us under the Securities Act of the undersigned's shares of common stock, provided that no transfer of the undersigned's shares of common stock registered pursuant to the exercise of any such right and no registration statement shall be filed under the Securities Act with respect to any of the undersigned's shares of common stock during the lock-up period,

g. transfers by will or intestacy or by operation of law, such as pursuant to a domestic relations order or in connection with a divorce settlement; *provided* that it shall be a condition to any transfer pursuant to this clause (g) that the transferee/donee agrees to be bound by the terms of the lock-up letter agreement to the same extent as if the transferee/donee were a party hereto,

h. sales or transfers to us from an employee upon death, disability or termination of employment, in each case, of such employee,

i. conversion of outstanding preferred stock, warrants to acquire preferred stock or convertible securities into shares of common stock or warrants to acquire shares of common stock; *provided* that any such shares of common stock or warrants received upon such conversion shall be subject to the terms of the lock-up letter agreement,

j. transfers to us in connection with the vesting, settlement, or exercise of restricted stock units, options, warrants or other rights to purchase shares of common stock (including, in each case, by way of "net" or "cashless" exercise), including for the payment of exercise price and tax and remittance payments due as a result of the vesting, settlement, or exercise of such restricted stock units, options, warrants or rights, provided that any such shares of common stock received upon such exercise, vesting or settlement shall be subject to the terms of this lock-up letter agreement,

k. pursuant to a bona fide third-party tender offer, merger, consolidation or other similar business combination transaction made to all holders of the shares of common stock involving a change of control (including, without limitation, entering into any lock-up, voting or similar agreement pursuant to which the undersigned may agree to transfer, sell, tender or otherwise dispose of shares of common stock (or any security convertible into or exercisable or exchangeable for shares of common stock), or vote any shares of common stock in favor of such transaction); *provided*, that, in the event that such transaction is not completed, the shares of common stock owned by the undersigned shall remain subject to the restrictions contained in this agreement,

l. transfers of shares of common stock pledged in a bona fide transaction to a nationally or internationally recognized financial institution with assets of not less than $5 billion (an "Institution") as collateral to secure obligations pursuant to lending or other arrangements between such Institution (or their affiliates or designees) and the undersigned and/or its affiliates or any similar arrangement relating to a financing arrangement for the benefit of the undersigned and/or its affiliates; *provided, however*, that (i) the undersigned shall not pledge in excess of 25% of the common stock beneficially owned by the undersigned and its affiliates in the aggregate; (ii) the undersigned or us, as the case may be, shall provide Barclays Capital Inc. and Keefe, Bruyette & Woods, Inc. prior written notice informing them of any public filing, report or announcement made by or on behalf of the undersigned or us with respect thereto; and (iii) the Institution agrees in writing at or prior to the time of such pledge that we shall receive timely notice of any event of

default and shall have the right to cure any event of default by the undersigned in connection with any loan to which the pledge relates by purchasing any or all securities pledge; *provided*, that in the case of any transfer or distribution to a pledge or similar arrangements under this clause (l), any such transferee agrees to be bound in writing by the terms of this lock-up letter agreement prior to such transfer, and

m. transfers allowed due to pre-existing loan agreements.

Barclays Capital Inc. and Keefe, Bruyette & Woods, Inc. , in their sole discretion, may release the common stock and other securities subject to the lock-up agreements described above in whole or in part at any time. When determining whether or not to release common stock and other securities from lock-up agreements, Barclays Capital Inc. and Keefe, Bruyette & Woods, Inc. will consider, among other factors, the holder's reasons for requesting the release, the number of shares of common stock and other securities for which the release is being requested and market conditions at the time. At least three business days before the effectiveness of any release or waiver of any of the restrictions described above with respect to an officer or director of the Company, Barclays Capital Inc. and Keefe, Bruyette & Woods, Inc. will notify us of the impending release or waiver and we have agreed to announce the impending release or waiver in accordance with any method permitted by applicable law or regulation (which may include a press release), except where the release or waiver is effected solely to permit a transfer of common stock that is not for consideration and where the transferee has agreed in writing to be bound by the same terms as the lock-up agreements described above to the extent and for the duration that such terms remain in effect at the time of transfer.

Offering Price Determination

Prior to this offering, there has been no public market for our common stock. The initial offering price was negotiated between the representatives and us. In determining the initial offering price of our common stock, the representatives considered:

- the history and prospects for the industry in which we compete;
- our financial information;
- the ability of our management and our business potential and earning prospects;
- the prevailing securities markets at the time of this offering; and
- the recent market prices of, and the demand for, publicly traded shares of generally comparable companies.

Indemnification

We and the selling stockholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make for these liabilities.

Stabilization, Short Positions and Penalty Bids

The representatives may engage in stabilizing transactions, short sales and purchases to cover positions created by short sales, and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the common stock, in accordance with Regulation M under the Securities Exchange Act of 1934, as amended:

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- A short position involves a sale by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase in the offering, which creates the syndicate short position. This short position may be either a covered short position or a naked short position. In a covered short position, the number of shares involved in the sales made by the underwriters in excess of the number of shares they are obligated to purchase is not greater than the number of shares that they may purchase by exercising their option to purchase additional shares. In a naked short position, the number of shares involved is greater than the number of shares in their option to purchase additional shares. The

underwriters may close out any short position by either exercising their option to purchase additional shares and/or purchasing shares in the open market. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through their option to purchase additional shares. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

- Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions.
- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of the common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the or otherwise and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

Electronic Distribution

A prospectus in electronic format may be made available on the Internet sites or through other online services maintained by one or more of the underwriters and/or selling group members participating in this offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter or selling group member, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the representatives on the same basis as other allocations.

Other than the prospectus in electronic format, the information on any underwriter's or selling group member's web site and any information contained in any other web site maintained by an underwriter or selling group member is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or any underwriter or selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors.

Listing on Nasdaq

We have applied to list our common stock on Nasdaq under the symbol "SKWD."

Stamp Taxes

If you purchase shares of common stock offered in this prospectus, you may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus.

Settlement

We expect that delivery of the shares of common stock will be made against payment therefor on or about the closing date specified on the coverage page of this prospectus, which will be the second day following the date of pricing of the shares of common stock, or third day if pricing occurs after 4:30 p.m. New York time (this settlement cycle being referred to as "T+2"). Under Rule 15c6-1 of the Exchange Act, as amended,

trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade shares of common stock on the date of pricing or the two succeeding business day will be required, by virtue of the fact that the shares of common stock initially will settle T+2, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of shares of common stock who wish to trade shares of common stock prior to settlement should consult their own advisors.

Other Relationships

The underwriters and certain of their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters and certain of their affiliates have, from time to time, performed, and may in the future perform, various commercial and investment banking and financial advisory services for the issuer and its affiliates, for which they received or may in the future receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and certain of their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the issuer or its affiliates. If the underwriters or their affiliates have a lending relationship with us, certain of those underwriters or their affiliates routinely hedge, and certain other of those underwriters or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, the underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities or the securities of our affiliates, including potentially the shares of common stock offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the shares of common stock offered hereby. The underwriters and certain of their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Selling Restrictions

General

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

European Economic Area

In relation to each Member State of the European Economic Area (each, a "Member State"), no shares have been offered or will be offered pursuant to the offering to the public in that Member State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Member State, all in accordance with the Prospectus Regulation, except that offers of shares may be made to the public in that Member State at any time under the following exemptions under the Prospectus Regulation:

- to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

- to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the underwriters for any such offer; or
- in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of shares shall require the Company or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to any shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase or subscribe for any shares, and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

United Kingdom

In relation to the United Kingdom, no shares have been offered or will be offered pursuant to the offering to the public in the United Kingdom prior to the publication of a prospectus in relation to the shares which has been approved by the Financial Conduct Authority, except that it may make an offer to the public in the United Kingdom of any shares at any time under the following exemptions under the UK Prospectus Regulation:

- to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the representatives for any such offer; or
- in any other circumstances falling within Section 86 of the FSMA,

provided that no such offer of the shares shall require the Company or any of the underwriters to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to the shares in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase or subscribe for any shares and the expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in Article 2 of the UK Prospectus Regulation) (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (the "Order"), and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons") or otherwise in circumstances which have not resulted and will not result in an offer to the public of the shares in the United Kingdom within the meaning of the FSMA.

Canada

The shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Switzerland

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document does not constitute a prospectus within the meaning of, and has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company, the shares of have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

United Arab Emirates

The shares have not been, and are not being, publicly offered, sold, promoted or advertised in the United Arab Emirates (including the Dubai International Financial Centre) other than in compliance with the laws of the United Arab Emirates (and the Dubai International Financial Centre) governing the issue, offering and sale of securities. Further, this prospectus does not constitute a public offer of securities in the United Arab Emirates (including the Dubai International Financial Centre) and is not intended to be a public offer. This prospectus has not been approved by or filed with the Central Bank of the United Arab Emirates, the Securities and Commodities Authority or the Dubai Financial Services Authority.

Australia

This prospectus:

- does not constitute a disclosure document or a prospectus under Chapter 6D.2 of the Corporations Act 2001 (Cth) (the "Corporations Act");
- has not been, and will not be, lodged with the Australian Securities and Investments Commission ("ASIC"), as a disclosure document for the purposes of the Corporations Act and does not purport to include the information required of a disclosure document for the purposes of the Corporations Act; and
- may only be provided in Australia to select investors who are able to demonstrate that they fall within one or more of the categories of investors, available under section 708 of the Corporations Act ("Exempt Investors").

The shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for or buy the shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any shares may be distributed in Australia, except where disclosure to investors is not required under Chapter 6D of the Corporations Act or is otherwise in compliance

with all applicable Australian laws and regulations. By submitting an application for the shares, you represent and warrant to us that you are an Exempt Investor.

As any offer of shares under this document will be made without disclosure in Australia under Chapter 6D.2 of the Corporations Act, the offer of those securities for resale in Australia within 12 months may, under section 707 of the Corporations Act, require disclosure to investors under Chapter 6D.2 if none of the exemptions in section 708 applies to that resale. By applying for the shares you undertake to us that you will not, for a period of 12 months from the date of issue of the shares, offer, transfer, assign or otherwise alienate those shares to investors in Australia except in circumstances where disclosure to investors is not required under Chapter 6D.2 of the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

Japan

The shares have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act. Accordingly, none of the shares nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any "resident" of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan in effect at the relevant time.

Hong Kong

The shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO") of Hong Kong and any rules made thereunder; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong) (the "CO") or which do not constitute an offer to the public within the meaning of the CO. No advertisement, invitation or document relating to the shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made thereunder.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of common stock may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contract (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law;
- as specified in Section 276(7) of the SFA; or
- as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification — Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the shares are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

LEGAL MATTERS

DLA Piper LLP (US) will pass upon the validity of the shares of our common stock being offered by this prospectus. Latham & Watkins LLP is acting as counsel to the underwriters.

EXPERTS

Ernst & Young LLP, independent registered public accounting firm, has audited our consolidated financial statements at December 31, 2021 and 2020, and for each of the two years in the period ended December 31, 2021, as set forth in their report. We've included our financial statements in the prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of our common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, some of which is contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. For further information with respect to us and our common stock, we refer you to the registration statement, including the exhibits filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, please see the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. The SEC maintains a website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

As a result of this offering, we will become subject to the information and reporting requirements of the Exchange Act and, in accordance with this law, will file periodic reports, proxy statements and other information with the SEC. These periodic reports, proxy statements and other information will be available for inspection at the website of the SEC referred to above. We also maintain a website at www.skywardinsurance.com where, upon closing of this offering, you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. The information on or that can be accessed through our website is not a part of this prospectus and the inclusion of our website address in this prospectus is an inactive textual reference only.

Skyward Specialty Insurance, Inc.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

SKYWARD SPECIALTY INSURANCE GROUP, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
As of and for the Years Ended December 31, 2021 and 2020
and
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of September 30, 2022 and December 31, 2021 and
for the Three and Nine Months Ended September 30, 2022 and 2021

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES
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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of Skyward Specialty Insurance Group, Inc. and subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Skyward Specialty Insurance Group, Inc. and subsidiaries (the Company) as of December 31, 2021 and 2020, the related consolidated statements of operations and comprehensive income (loss), changes in stockholders' equity and cash flows for the each of the two years in the period ended December 31, 2021, and the related notes and financial statement schedules (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Ernst & Young LLP

We have served as the Company's auditor since 2021.

Houston, Texas
April 19, 2022, except note 27, as to which the date is, December , 2022

The foregoing report is in the form that will be signed upon the completion of the reverse stock split described in Note 27 to the consolidated financial statements.

/s/ Ernst & Young LLP
Houston, Texas

November 14, 2022

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(In Thousands, except for share and per share amounts)

	2021	2020
Assets		
Investments:		
Fixed maturity securities, available for sale, at fair value (amortized cost of $452,478 and $299,454, respectively)	$ 458,351	$ 315,001
Fixed maturity securities, held to maturity, at amortized cost	47,117	28,393
Equity securities, at fair value (cost of $98,986 and $74,112, respectively)	117,971	77,866
Mortgage loans	29,531	5,228
Other long-term investments	132,111	102,832
Short-term investments, at fair value	164,278	235,957
Total investments	949,359	765,277
Cash and cash equivalents	42,107	63,455
Restricted cash	65,167	50,168
Premiums receivable, net of allowance	112,158	114,302
Reinsurance recoverables	536,327	538,889
Ceded unearned premium	137,973	146,624
Deferred policy acquisition costs	59,456	53,519
Deferred income taxes	33,663	41,518
Goodwill and intangible assets, net	91,336	84,014
Other assets	90,666	90,867
Total assets	$ 2,118,212	$ 1,948,633
Liabilities, Temporary Equity and Stockholders' Equity		
Liabilities:		
Losses and loss adjustment expenses ("LAE")	$ 979,549	$ 856,780
Unearned premiums	363,288	342,619
Deferred ceding commission	30,500	35,757
Reinsurance and premium payables	119,919	124,125
Funds held for others	29,587	27,158
Accounts payable and accrued liabilities	40,760	40,221
Notes payable	50,000	50,000
Subordinated debt, net of debt issuance costs	78,529	78,448
Total liabilities	1,692,132	1,555,108
Temporary Equity:		
Series A preferred stock, $0.01 par value, 2,000,000 shares authorized, 1,976,310 issued and outstanding as of December 31, 2020	—	90,303
Total temporary equity	—	90,303
Stockholders' Equity:		
Series A preferred stock, $0.01 par value, 2,000,000 shares authorized, 1,970,124 shares issued and outstanding as of December 31, 2021	20	—
Common stock, $0.01 par value, 168,000,000 shares authorized and 16,763,069 shares issued as of December 31, 2021 and 2020, respectively	168	168
Treasury stock, at par value, 229,449 and 351,607 shares, as of December 31, 2021 and 2020, respectively	(2)	(4)
Additional paid-in capital	575,159	476,482
Stock notes receivable	(9,092)	(2,510)
Accumulated other comprehensive income	4,640	12,216
Accumulated deficit	(144,813)	(183,130)
Total stockholders' equity	426,080	303,222
Total liabilities, temporary equity and stockholders' equity	$ 2,118,212	$ 1,948,633

The accompanying notes are an integral part of these consolidated financial statements.

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands, except for share and per share amounts)

	2021	2020
Revenues:		
Net earned premium	$ 499,823	$ 431,911
Commission and fee income	3,973	5,664
Net investment income	24,646	14,130
Net unrealized gains (losses) on equity securities	15,251	(928)
Realized investment gains	1,856	1,067
Net realized gain on sale of business	5,077	—
Other operating (loss) income	(445)	128
Total revenues	550,181	451,972
Expenses:		
Losses and loss adjustment expenses	354,411	362,182
Underwriting, acquisition and insurance expenses	138,498	119,818
Impairment charges	2,821	57,582
Interest expense	4,622	5,532
Amortization expense	1,520	1,390
Total expenses	501,872	546,504
Income (loss) before income tax expense	48,309	(94,532)
Income tax expense (benefit)	9,992	(19,890)
Net income (loss)	38,317	(74,642)
Other comprehensive (loss) income:		
Unrealized gains and losses on investments:		
Net change in unrealized (losses) and gains on investments, net of tax	(8,173)	6,693
Reclassification adjustment for gains and losses on securities no longer held, net of tax	597	508
Total other comprehensive (loss) income	(7,576)	7,201
Comprehensive income (loss)	$ 30,741	$ (67,441)
Net income (loss) attributable to common shareholders	$ 19,810	$ (74,642)
Per share data:		
Basic earnings (loss) per share	$ 1.21	$ (4.60)
Diluted earnings (loss) per share	$ 1.18	$ (4.60)
Weighted-average common shares outstanding:		
Basic	16,308,712	16,213,953
Diluted	32,468,048	16,213,953

The accompanying notes are an integral part of these consolidated financial statements.

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In thousands)

	Preferred Stock	Common Stock	Treasury Stock	Additional Paid-In Capital	Stock Notes Receivable	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
Balance at January 1, 2020	$ —	$ 167	$ (2)	$ 478,661	$ (3,547)	$ 5,015	$ (108,488)	$ 371,806
Employee equity transactions	—	1	—	(932)	128	—	—	(803)
Treasury stock transactions	—	—	(2)	(1,247)	909	—	—	(340)
Net loss	—	—	—	—	—	—	(74,642)	(74,642)
Other comprehensive income, net of tax	—	—	—	—	—	7,201	—	7,201
Balance at December 31, 2020	$ —	$ 168	$ (4)	$ 476,482	$ (2,510)	$ 12,216	$ (183,130)	$ 303,222
Employee equity transactions	—	—	2	427	880	—	—	1,309
Net income	—	—	—	—	—	—	38,317	38,317
Other comprehensive loss, net of tax	—	—	—	—	—	(7,576)	—	(7,576)
Reclassification of temporary equity to stockholders' equity	20	—	—	98,250	(7,462)	—	—	90,808
Balance at December 31, 2021	$ 20	$ 168	$ (2)	$ 575,159	$ (9,092)	$ 4,640	$ (144,813)	$ 426,080

The accompanying notes are an integral part of these consolidated financial statements.

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands)

	2021	2020
Cash flows from operating activities:		
Net income (loss)	$ 38,317	$ (74,642)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Net realized (gains)	(1,856)	(1,067)
Depreciation and amortization expense	5,603	5,985
Stock-based compensation expense	522	(25)
Provision for bad debts	79	812
Unrealized (gains) losses on equity securities	(15,251)	928
Earnings on illiquid investments	(11,413)	(4,991)
Deferred income tax, net	9,984	(19,551)
Impairment charges	2,821	57,582
Net realized (gain) on sale of business	(5,077)	—
Changes in operating assets and liabilities:		
Premiums receivable, net	1,876	(2,316)
Reinsurance recoverables	1,062	(114,959)
Ceded unearned premium	8,548	28,430
Deferred policy acquisition costs	(5,975)	2,354
Federal income taxes receivable	—	662
Losses and loss adjustment expenses	124,270	172,887
Unearned premiums	20,772	1,182
Deferred ceding commission	(5,219)	(6,250)
Reinsurance and premium (receivables) payables	(4,201)	6,566
Funds held for others	2,649	496
Accounts payable and accrued liabilities	1,148	9,240
Other, net	6,626	(18,614)
Net cash provided by operating activities	175,285	44,709
Cash flows from investing activities:		
Purchase of fixed maturity securities, available for sale	(255,155)	(146,639)
Purchase of illiquid investments	(48,060)	(36,091)
Purchase of equity securities	(60,328)	(36,880)
Purchase of business	(10,554)	—
Investment in direct and indirect loans	(16,079)	17,920
Purchase of property and equipment	(2,154)	(2,072)
Sale of investment in subsidiary	8,188	—
Sales and maturities of investment securities	135,289	136,065
Distributions from equity method investments	2,387	1,000
Change in short-term investments	70,207	24,206
Receivable for securities sold	(725)	—
Cash used in deposit accounting	(6,074)	(32,940)
Other, net	44	497
Net cash used in investing activities	(183,014)	(74,934)
Cash flows from financing activities:		
Employee share purchases	1,380	255
Issuance of preferred shares	—	90,413
Repayments of notes payable	—	(33,827)
Repurchase of common stock	—	(540)
Net cash provided by financing activities	1,380	56,301
Net (decrease) increase in cash and cash equivalents and restricted cash	(6,349)	26,076
Cash and cash equivalents and restricted cash at beginning of year	113,623	87,547
Cash and cash equivalents and restricted cash at end of year	$ 107,274	$ 113,623
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 4,669	$ 5,530

The accompanying notes are an integral part of these consolidated financial statements.

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Operations

Skyward Specialty Insurance Group, Inc. (the "Company", collectively we, us or our), an insurance holding company, is a Delaware corporation that was organized in 2006. We are a specialty insurance company operating in one segment delivering commercial property and casualty products and accident and health insurance coverages through our underwriting divisions. We focus our business on markets that are underserved, dislocated and/or for which standard insurance coverages are insufficient or inadequate to meet the needs of businesses, including our customers and prospective customers operating in these markets. Our customers typically require highly specialized, customized underwriting solutions and claims capabilities. As such, we develop and deliver tailored insurance products and services to address each of the niche markets we serve.

Our portfolio of insured risks is highly diversified — we insure customers operating in a wide variety of industries; we distribute through multiple channels; we write multiple lines of business, including general liability, excess liability, professional liability, commercial automobile liability, commercial automobile physical damage, group accident and health, property, surety and workers' compensation.

Insurance Companies

We conduct operations principally through four insurance companies. Houston Specialty Insurance Company ("HSIC"), our largest insurance subsidiary, underwrites multiple lines of insurance on a surplus lines basis in 50 states and the District of Columbia. Imperium Insurance Company ("IIC"), a subsidiary of HSIC, underwrites on an admitted basis in all 50 states and the District of Columbia. Great Midwest Insurance Company ("GMIC"), a subsidiary of IIC underwrites multiple lines of insurance on an admitted basis in all 50 states, the District of Columbia and is a certified surety bond company listed with the Department of Treasury. Oklahoma Specialty Insurance Company ("OSIC"), a subsidiary of GMIC, is an approved surplus lines company in 47 states.

Reinsurance Company

Skyward Re is a wholly owned captive reinsurance company domiciled in the Cayman Islands that was incorporated on January 7, 2020. Skyward Re assumes net reserves for certain divisions, related to a retroactive reinsurance contract, from our insurance companies and retrocedes the net reserves to a third-party reinsurer.

Non-insurance Companies

Skyward Underwriters Agency, Inc. ("SUA"), a subsidiary of the Company, is a managing general insurance agent and reinsurance broker for property and casualty and accident and health risks in specialty niche markets. Skyward Service Company, also our subsidiary, provides various administrative services to our subsidiaries.

2. Summary of Significant Accounting Policies

Basis of Presentation

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of the Company and its subsidiaries as of and for the years ended December 31, 2021 and 2020. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and highly liquid short-term investments. We consider all short-term investments purchased with an original maturity of three months or less to be cash equivalents. The carrying value of the Company's cash and cash equivalents approximates fair value.

Restricted Cash

Cash with a legal restriction as to withdrawal or use by the consolidated group is recorded as restricted cash. The carrying value of the Company's restricted cash approximates fair value.

SUA collects premiums from clients, and after deducting commissions and any applicable fees, remits these premiums to our insurance companies, noted within the Nature of Operations or to 3rd party insurance companies. SUA holds unremitted insurance premiums in a fiduciary capacity to 3rd party insurance companies, as restricted cash.

We are required by state regulations to maintain assets on deposit with certain states and hold cash as collateral for certain reinsurance balances. Cash that we hold in a depository account for others or which is restricted by a state is recorded as restricted cash.

Investments

Available for Sale

Our investments in fixed maturity securities are classified as available for sale and are reported at fair value based on quoted market prices or dealer quotes. Unrealized gains and losses for fixed maturity securities are excluded from net income and reported in stockholders' equity, net of taxes, as a component of accumulated other comprehensive income (loss). If quoted market prices or dealer quotes are not available, we estimate fair value based on recent trading information. Premiums and discounts on mortgage-backed securities are amortized using the retroactive method adjusted for anticipated prepayments and the estimated economic life of the securities. Adjustments related to changes in prepayment assumptions are included in net investment income.

Held to maturity

Our investments in fixed maturity securities where we have demonstrated the intent and ability to hold until maturity have been classified as held to maturity and are reported at amortized cost.

Other-than-Temporary Impairments

We evaluate declines in the market value of invested assets below amortized cost, for other-than-temporary impairment losses, on a quarterly basis. Impairment losses for declines in the value of our fixed maturity securities below amortized cost attributable to issuer-specific events are based on all relevant facts and circumstances for each investment and are recognized when appropriate. For all our investments with unrealized losses due to market conditions or industry-related events where we do not have the intent to sell the security and we have the ability to hold the investment for either a period of time sufficient to allow a market recovery or to maturity, declines in value below cost are not assumed to be other-than-temporary. When we consider the impairment of the value of an investment to be other-than-temporary, we report the

2. Summary of Significant Accounting Policies (continued)

decrease in value in net income within the Consolidated Statements of Operations and a corresponding reduction in carrying value on the balance sheet.

Equity securities with a readily determinable fair value

Equity securities consists of common stock or preferred stock. We also classify mutual funds, including those that invest mostly in debt securities, as equity securities. Our investments in equity securities with a readily determinable fair value are carried on the balance sheet at fair value using quoted market prices. Unrealized gains and losses on equity securities are included in net income within the Consolidated Statements of Operations.

Mortgage loans

Our investments in mortgage loans are classified as held for investment and carried on the balance sheet at cost adjusted for unamortized: premiums, discounts and loan fees. When an amount is determined to be uncollectable, we directly write off the uncollectable amount in the period it was determined to be uncollectable. We recognize interest on the loans as interest receivable which we include in other assets on the balance sheet.

Other long-term investments

Our other long-term investments include investments in equity and equity securities of non-public entities and indirect investments in loans and loan collateral.

We have equity investments in certain limited partnerships and corporations where we have significant influence but not control. Our analysis of entities that are variable interest entities indicated that we are not the primary beneficiary and would not have to consolidate these entities. We use the equity method to account for these investments. Under the equity method, our initial investment is recorded at cost and is subsequently adjusted based on our proportionate share of distributions and net income or loss of the equity method investee. The difference between the cost of an investment and our proportionate share of the underlying equity in net assets recorded on the investee's books is a component of investment income. We amortize the difference as an adjustment to our pro-rata share of equity method income over the useful life which is based on the underlying asset.

We do not have significant influence in our investments in equity securities of non-public entities. When these securities do not have a readily determinable fair value, we carry these investments at cost, minus impairment, if any, and changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer.

Our investments in indirect collateralized loans and loan collateral are held through and accounted for as an ownership interest in an unconsolidated subsidiary. Our ownership interests in unconsolidated subsidiaries consists of investments in entities such as partnerships, joint ventures and special purpose investment vehicles. We have significant influence but not control of these unconsolidated subsidiaries and use the equity method to account for these investments.

Short-Term Investments

Our short-term investments consist primarily of money market funds and are carried at cost which approximates fair value.

Net Investment Income and Net Realized Gains and Losses

Net investment income consists of interest, dividends and equity in earnings (losses) of investees net of investment expenses such as investment management expenses. Interest income is recognized on the accrual

2. Summary of Significant Accounting Policies (continued)

basis, and dividends as earned at the ex-dividend date. Interest income on mortgage-backed and asset-backed securities is recognized using the effective-yield method based on estimated principal repayments. Included in interest income is the amortization of premium and accretion of discounts on debt securities.

We recognize net realized gains and losses on investments in net income based upon the specific identification method.

Reinsurance

Reinsurance Accounting

In the normal course of business, we purchase prospective reinsurance for certain lines of business on a proportional, excess of loss and facultative basis. Proportional reinsurance requires us to share the losses and expenses with the reinsurer in exchange for a share of the premiums. Excess of loss reinsurance shares losses, either a proportion of or in its entirety, above a certain dollar threshold, in exchange for a negotiated cost. Facultative reinsurance covers specific risks and/or policies on either a proportional or excess of loss basis.

We report ceded unearned premium and reinsurance balances recoverable, on paid and unpaid losses and settlement expenses, separately as assets, instead of netting them with the related liabilities, since reinsurance does not relieve us of our legal liability to our policyholders. Reinsurance on unpaid losses and settlement expenses represent estimates of the portion of the liabilities recoverable from reinsurers. On the Consolidated Statements of Operations, net earned premium, losses and loss adjustment expenses, net and underwriting, acquisition and insurance expenses are presented net of reinsurance ceded.

We purchase retroactive reinsurance on certain lines of business in the form of loss portfolio transfers ("LPT") and adverse development covers. These contracts provide indemnification of losses related to past loss events where the reinsurer shares losses, either a proportion of or in its entirety, depending on certain dollar thresholds. Income generated from retroactive reinsurance contracts is deferred and amortized into net income over the settlement period and losses are charged to net income immediately. Subsequent changes in the measurement of the retroactive reinsurance contract are accounted for under a full retrospective method.

Deposit Accounting

Certain ceded reinsurance contracts, which Management determines do not transfer significant insurance risk, are accounted for using the deposit method of accounting. The evaluation of the transfer of significant insurance risk involves an assessment of both timing risk and underwriting risk. Management may determine that a reinsurance contract does not transfer significant insurance risk if either underwriting risk or timing risk or both are not deemed to have been transferred. For those contracts that transfer only significant timing risk and do not transfer sufficient underwriting risk, a deposit asset is recorded equal to the initial cash outflow under the contract, which will then be offset by cash inflows received from the reinsurers. To the extent cash outflows are expected to differ from expected cash inflows, an accretion rate is established at inception of the contract based on actuarial estimates whereby the deposit accounting asset is increased/decreased to the estimated amount receivable over the contract term. The accretion of the deposit is based on the expected rate of return implied from the estimated cash inflows and outflows under the contract. Periodically, the Company reassesses the estimated ultimate receivable and the related expected rate of return on the deposit asset. The accretion of the deposit asset, including any changes in accretion resulting from changes in estimated cash flows, are reflected as part of investment income in the Company's results of operations. We have several reinsurance contracts that require deposit accounting treatment due to not transferring sufficient underwriting risk. There were no reinsurance contracts that require deposit accounting treatment due to not transferring sufficient timing risk.

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Reinsurance Recoverables

Reinsurance does not relieve us of our legal liability to our policyholders. We continuously monitor the financial condition of our reinsurers. As part of our monitoring efforts, we review their annual financial statements. We also review insurance industry developments that may impact the financial condition of our reinsurers. We analyze the credit risk associated with our reinsurance recoverables by monitoring the financial strength rating of our reinsurers from A.M. Best, a widely recognized rating agency with an exclusive insurance industry focus. We also assess the adequacy of collateral obtained, where applicable. Should our reinsurers fail to fulfill their obligations to us, we have access to $230.9 million and $246.5 million of collateral from various reinsurers as of December 31, 2021 and 2020, respectively. When our review indicates the existence of uncollectible amounts from reinsurers, our policy is to charge net income and provide an allowance for estimated unrecoverable amounts. As of December 31, 2021 and 2020, we determined that no allowance for uncollectable reinsurance recoverables was required.

Reinsurance recoverables present potential exposures to individual reinsurers. The following table lists the individual reinsurers which represent 10% or more of our reinsurance recoverable balances and the respective financial strength rating from A.M. Best:

	A.M. Best Rating	2021	2020
Everest Reinsurance Co.	A+	28.9%	28.9%
Randall & Quilter (R&Q Bermuda (SAC) Ltd)	Not rated	12.0%	16.0%

We have approximately $11.8 of uncollateralized recoverables from Randall & Quilter Bermuda (SAC) Ltd that they are contractually obligated to fund as of December 31, 2021.

Concentration of Credit Risk

Other than reinsurance recoverables, financial instruments that potentially subject us to concentrations of credit risk are primarily cash and cash equivalents, restricted cash, investments and premiums receivable.

Cash equivalents and short-term investments include investments in money market funds and securities backed by the U.S. government. Investments are diversified throughout many industries and geographic regions. We limit the amount of credit exposure with any one financial institution or issuer and believe that no significant concentration of credit risk exists with respect to cash and investments. As of December 31, 2021 and 2020, the outstanding premiums receivable are generally diversified due to the large number of entities comprising our customer base and their dispersion across many different lines of business and geographic regions. Failure by distribution sources to remit premiums could result in premium write-offs and a corresponding loss of income.

Deferred Policy Acquisition Costs

Policy acquisition costs consist of commissions and premium taxes that vary with and are directly related to the successful production of new or renewal business. We defer policy acquisition costs and related ceding commissions and charge or credit them to earnings in proportion with the premium earned.

We recognize a premium deficiency if the sum of expected losses, loss adjustment expenses, and unamortized acquisition costs exceed our related unearned premiums. We first recognize a premium deficiency by charging any unamortized acquisition costs to expense to the extent required to eliminate the deficiency. If our premium deficiency is greater than unamortized acquisition costs, we accrue a liability for the excess deficiency. We consider anticipated investment income in the determination of premium deficiencies. Based on the analysis performed by management, we believe that no premium deficiency existed as of December 31, 2021 and 2020.

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Goodwill and Intangible Assets

Goodwill and intangible assets are recorded as a result of a business combination. Goodwill represents the excess of the purchase price over the fair value of the assets acquired and liabilities assumed. We amortize identifiable intangible assets with a finite useful life over the period that the intangible asset is expected to contribute directly or indirectly to our future cash flows. We do not amortize indefinite lived intangible assets.

We evaluate goodwill and identifiable intangible assets for recoverability annually in the fourth quarter or on an interim basis should events or changes in circumstances indicate that a carrying amount may not be recoverable.

To test for impairment, we first perform a qualitative assessment to determine if it is more likely-than-not that the fair value of a reporting unit is less than its carrying value, including goodwill. This initial assessment includes, among other factors, consideration of: (i) past, current and projected future earnings and equity; (ii) recent trends and market conditions; and (iii) valuation metrics involving similar companies that are publicly traded and acquisitions of similar companies, if available. If the more likely-than-not threshold is met, we perform a quantitative impairment test by comparing the estimated fair value with the carrying value. If the carrying value of the net assets associated with the reporting unit exceeds the fair value of the reporting unit, goodwill is considered impaired and will be determined as the amount by which the reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill.

Our reporting unit is at the underwriting division level, this is one level below the consolidated group where the underwriting division represents a business and discrete financial information is available and reviewed regularly by underwriting management. Determining the fair value of our reporting units is subjective in nature and involves the use of significant estimates and assumptions, including projected net cash flows, discount and long-term growth rates. We determine the fair value of our reporting units based on an income approach, whereby the fair value of the reporting unit is derived from the present value of estimated future cash flows associated with the reporting unit. The assumptions about estimated cash flows include factors such as future premiums, loss and LAE expenses, general and administrative expenses and industry trends. We consider historical rates and current market conditions when determining the discount and long-term growth rates to use in our analysis. We consider other valuation methods, such as the cost approach or market approach, if the facts and circumstances indicate these methods provide a more representative approximation of fair value. Changes in these estimates based on evolving economic conditions or business strategies could result in material impairment charges in future periods. We base our fair value estimates on assumptions we believe to be reasonable. Actual results may differ from those estimates.

As a result of the process described above, we recorded a goodwill impairment charge of $2.8 million and $57.6 million for the years ended December 31, 2021 and 2020, respectively. This amount is included in "Impairment charges" in the Consolidated Statements of Operations.

Property and Equipment

We record property and equipment, which is included in other assets in the consolidated balance sheets, at cost less accumulated depreciation and recognize depreciation expense on a straight-line basis for financial statement purposes over periods ranging from four to eight years for software and equipment and for leasehold improvements over the life of our leases.

Leases

Right-of-use (ROU) assets are included in other assets and lease liabilities are included in accounts payable and accrued liabilities on the balance sheet. For operating leases, we determine if a contract contains a lease at inception and recognize operating lease ROU assets and lease liabilities based on the present value of the future minimum lease payments at the commencement date. As we do not have the interest rate implicit in

2. Summary of Significant Accounting Policies (continued)

our leases, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of future payments. Lease agreements may include options to extend or terminate. The options are exercised at our discretion and are included in operating lease liabilities if it is reasonably certain the option will be exercised. Lease agreements have lease and non-lease components, which are accounted for as a single lease component. Operating lease cost for future minimum lease payments is recognized on a straight-line basis over the lease term. Sublease income is recognized on a straight-line basis over the sublease term.

Losses and LAE Reserves

Losses and LAE reserves represent our best estimate of the ultimate net cost of all reported and unreported losses that are unpaid as of the balance sheet dates. Our estimated reserves for losses and LAE include the accumulation of estimates for claims reported and unpaid prior to the balance sheet dates, estimates (based on projections of relevant historical data) of increases in claims costs for claims already reported, of claims incurred but not reported, and estimates of expenses for investigating and adjusting all incurred and unpaid claims. We estimate our reserves on an undiscounted basis, using individual case-basis valuations, statistical analyses, and various actuarial methods such as:

Paid Loss Development — Historical payment patterns for prior claims are used to estimate future payment patterns for claims. These patterns are applied to current payments by policy year to yield an expected ultimate loss.

Incurred Loss Development — Historical case loss patterns for past claims are used to estimate future case-incurred amounts for current claims. These patterns are applied to current case losses by policy year to yield an expected ultimate loss.

Case Reserve Development — Patterns of historical development in reported losses relative to historical case reserves are determined. These patterns are applied to current case reserves by policy year and the result is combined with paid losses to yield an expected ultimate loss.

Expected Loss Ratio — Historical loss ratios, in combination with projections of frequency and severity trends, as well as estimates of price and exposure changes, are analyzed to produce an estimate of the expected loss ratio (“loss pick”) for each policy year. The loss pick is then applied to the earned premium for each year to estimate the expected ultimate losses.

Paid and Incurred Bornhuetter/Ferguson (BF) — This approach blends the expected loss ratio method with either the paid or incurred loss development method. In effect, the BF methods produce weighted average indications for each policy year.

In most cases, multiple estimation methods will be valid for the particular facts and circumstances of the claim liabilities being evaluated. Each estimation method has its own set of assumption variables and its own advantages and disadvantages, with no single estimation method being better than the others in all situations, and no one set of assumption variables being meaningful for all underwriting divisions. The relative strengths and weaknesses of the particular estimation methods, when applied to a particular group of claims, can also change over time. Therefore, the weight given to each estimation method will likely change by policy year and with each evaluation given the facts and circumstances associated with each underwriting division.

The estimates generated by the methods above are based on our historical information, industry information, and our estimates of future trends in variable factors such as loss severity and loss frequency. Losses and LAE reserves are subject to uncertainty from various sources, including changes in reporting patterns, claims settlement patterns, judicial decisions, legislation, and economic conditions. Therefore, our actual loss experience may not conform to the methods used in determining the estimated amounts for such

2. Summary of Significant Accounting Policies (continued)

liability at the balance sheet dates. We continually monitor and review reserves and adjust our estimates as necessary as new information becomes available.

Losses and LAE reserves are subject to uncertainty from various sources, including changes in reporting patterns, claims settlement patterns, judicial decisions, legislation, and economic conditions. Therefore, our actual loss experience may not conform to the assumptions used in determining the estimated amounts for such liability at the balance sheet dates. We continually monitor and review reserves, and as settlements are made or reserves adjusted, the differences are reported in the current year.

Because of the nature of business we have historically written, management believes that we have limited exposure to environmental and other toxic tort type claim liabilities.

Temporary Equity

We evaluate the conversion feature associated with our preferred share rights offering, discussed within Note 14, in order to determine the balance sheet classification of the instrument. The preferred shares are classified within Temporary equity when the Option Conversion Rate is contingently adjustable in the future and there is no contractual limit on the number of common shares that could be issued. Under these circumstances we cannot assert we have ability to settle in common shares.

Premiums

We earn and recognize property and casualty and surety premiums on a pro-rata basis over the terms of the policies. We earn accident and health premiums as billed, based on census data. Gross premiums written are reduced by ceded premiums from proportional, facultative and excess of loss reinsurance costs for prospective reinsurance. Our premiums receivable include deferred premiums, which represent installment payments we are due from insureds under the payment terms of their policies. We recorded an allowance for estimated uncollectible premiums receivable of approximately $0.3 million and $1.1 million as of December 31, 2021 and 2020, respectively.

Unearned premiums represent the portion of gross premiums written which is applicable to the unexpired terms of insurance policies or reinsurance contracts in force. Ceded unearned premiums represent the portion of ceded premiums written which is applicable to the unexpired terms of insurance policies or reinsurance contracts in force. These unearned premiums are calculated on a pro-rata basis over the terms of the policies for direct and ceded amounts.

Commission and Fee Income

SUA commission revenue

SUA commission revenue is generated from the placement of insurance policies on reinsurance programs through a reinsurance broker which represents our single performance obligation. Our transaction price is fixed at contract inception and based on a percentage of premiums placed. We recognize 100% of the transaction price as the associated performance obligation is satisfied at the point in time a policy is placed as we have no constraints on revenue.

SUA fee income

SUA fee income is generated from the placement of insurance policies with a 3rd party insurance company. Our single performance obligation consists of the placement of the policy. Our transaction price is variable at contract inception and based on a percentage of premium based on risk factors that vary every month such as employee census data and worker roles. We estimate our transaction price over the life of the

2. Summary of Significant Accounting Policies (continued)

policy using the expected value method and recognize revenue at the point in time the policy is placed. When there are changes in the estimate of variable consideration, we recognize those changes in the month they occur.

Income Taxes

We accrue income tax expense for the tax effects of transactions reported in the consolidated financial statements and this provision for income taxes consists of taxes currently due plus deferred taxes resulting from temporary differences between amounts reported for financial statement and income tax purposes. We establish a valuation allowance for any deferred tax asset not expected to be realized.

We measure deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in income in the period that includes the enactment date.

We record a liability for uncertain tax positions where it is more likely-than-not that the tax position will not be sustained upon examination by the appropriate tax authority. Changes in the liability for uncertain tax positions are reflected in income tax expense in the period when a new uncertain tax position arises, judgment changes about the likelihood of an uncertainty, the tax issue is settled, or the statute of limitation expires. Any potential net interest income or expense and penalties related to uncertain tax positions are recorded in the Consolidated Statements of Operations.

We file a consolidated federal income tax return in the United States and certain other state tax returns. Our admitted insurance subsidiaries pay premium taxes on gross written premiums in lieu of most state income or franchise taxes. Premium tax expense is recognized within policy acquisition costs in the Consolidated Statement of Operations.

Fair Value of Financial Instruments

Fair value is estimated for each class of financial instrument based on the framework established in the fair value accounting guidance. This guidance requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair value hierarchy disclosures are based on the quality of inputs 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).

As a part of management's process to determine fair value, we utilize widely recognized, third-party pricing sources to determine our fair values. We have obtained an understanding of the third-party pricing sources' valuation methodologies and inputs.

See Note 6 for further details regarding fair value disclosures.

Stock Based Compensation

We granted common stock to our employees and non-employee directors under our Stock Purchase Program and Equity Incentive Program (the "Legacy Programs"). The Legacy Programs required that employees who receive an award purchase a certain amount of stock, which the Company then matched. The matching share awards were subject to certain vesting requirements. For the purchased portion of the participant's stock, the participant was required to make a minimum payment toward the purchase commitment, with the remainder of the balance issued as a note receivable to us and recorded as a stock notes receivable within Stockholders' Equity. We recognize compensation costs over the applicable vesting period

2. Summary of Significant Accounting Policies (continued)

for share-based payments to employees, former employees and non-employee directors at fair value of the common stock on the grant date. We recognize forfeiture of purchased and awarded shares as they occur.

In December 2020, the Compensation Committee of the Company's Board of Directors (the "Compensation Committee") approved a new Long Term Incentive Plan (the "2020 Plan"). The 2020 Plan provides for the granting of restricted stock, restricted stock units, performance share awards, as well as cash-based performance awards, to select employees and non-employee directors of the Company. Under the 2020 Plan, the Compensation Committee ratifies the selection of participants for each year's grants which are subject to the terms and conditions of the 2020 Plan. The equity awards consist of common share awards with either a market or a performance condition and restricted common stock units. All awards are subject to a service condition and the accounting policy for each award is presented below.

Market condition awards

For common share awards with a market and service condition, we use a probability assessment to determine the fair value of these awards on the grant date. We recognize the grant date fair value as compensation costs over the applicable service period of the award. If the market condition is not obtained, previously recognized compensation expense is not reversed.

Performance and service condition awards

For common share awards with a performance condition and a service condition, we calculate a grant date fair value based on the probability weighted assessment of the performance condition and respective award values. We recognize compensation costs over the service period based on our latest estimate of grant date fair value. If the performance condition is not satisfied, we will reverse previously recognized compensation expense.

Service condition awards

We grant restricted common stock units that only have a service condition. We recognize compensation costs over the service period based on the fair value of common stock on the grant date.

Earnings (loss) per share

We use the two-class method for calculating basic earnings (loss) per share. Undistributed earnings are allocated to participating securities based on the extent to which each class may share in earnings as if all the earnings for the period have been distributed. Basic earnings (loss) per share is calculated by dividing net income (loss) attributable to common shareholders by the weighted-average number of common shares outstanding for the period. Common shares related to our Legacy Programs are excluded from the weighted-average number of common shares outstanding for the period for basic earnings (loss) per share when contingencies, such as vesting requirements, exist and have not been satisfied.

Contingently issuable common shares and common share equivalents are instruments where the holder must return, all or part of, if specified conditions are not met. These instruments are excluded from basic and diluted earnings (loss) per share when the specified conditions are not met presuming the end of the period is the end of the contingency period.

Instruments that are convertible into common shares are included in diluted weighted-average common shares outstanding on an if-converted basis based on the legal conversion rate for the respective period, if dilutive. Share-based awards to employees with only service conditions are included as potential common shares, weighted for the portion of the period they are unvested, if dilutive. Share-based awards to employees with performance and service or market conditions are included as potential common shares presuming the end of the period is the end of the contingency period, if dilutive.

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

When inclusion of common share adjustments increases the earnings per share or reduces the loss per share, the effect on earnings is anti-dilutive, and the diluted net earnings or net loss per share is computed excluding these common share equivalents.

3. Recent Accounting Pronouncements

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

The Company may elect to adopt new or revised accounting guidance within the same time period as private companies, unless, as indicated below, management determines it is preferable to take advantage of early adoption provisions offered within the applicable guidance.

Recently Issued Accounting Standards Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments (Topic 326). ASU 2016-13 requires organizations to estimate credit losses on certain types of financial instruments, including receivables and available-for-sale debt securities, by introducing an approach based on expected losses. The expected loss approach will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. The guidance is effective for fiscal years beginning after December 15, 2022. Early adoption is permitted. We are currently evaluating the impact that the adoption of the ASU will have on our consolidated financial statements.

Accounting Standards Adopted

In January 2017, the FASB issued ASU No. 2017-04, Intangibles — Goodwill and Other (Topic 350). ASU 2017-04 eliminates the requirement to calculate the implied fair value of goodwill that is done in step two of the current goodwill impairment test to measure a goodwill impairment loss. Instead, entities will record an impairment loss based on the excess of a reporting unit's carrying amount over its fair value. We adopted this ASU effective January 1, 2020. The adoption of this ASU did not have a material impact on our consolidated financial statements.

In February 2017, the FASB issued ASU No. 2016-02, Leases, to improve the financial reporting of leasing transactions. Under legacy guidance for lessees, leases are only included on the balance sheet if certain criteria, classifying the agreement as a capital lease, are met. This pronouncement requires the recognition of a right-of-use asset and a corresponding lease liability, discounted to the present value, for all leases that extend beyond 12 months. For operating leases, the asset and liability will be expensed over the lease term on a straight-line basis, with all cash flows included in the operating section of the statement of cash flows. For finance leases, interest on the lease liability will be recognized separately from the amortization of the right-of-use asset in the income statement and the repayment of the principal portion of the lease liability will be classified as a financing activity in the statements of cash flows while the interest component will be included in the operating activities in the statements of cash flows. This ASU is effective for reporting periods beginning after December 15, 2018 for public entities and reporting periods beginning after December 15, 2020 for private entities. Early adoption is permitted and, accordingly, we adopted this ASU effective January 1, 2020. This pronouncement provides a number of practical expedients in transition. The Company elected the "package of practical expedients", which permits the Company not to reassess under the new standard prior conclusions about lease identification, lease classification and initial direct costs. The adoption of this ASU resulted in the recognition of a $12.4 million right-of-use asset within other assets and a $12.8 million lease liability within accounts payable and accrued liabilities on the consolidated balance sheets.

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Recent Accounting Pronouncements (continued)

In March 2017, the FASB issued ASU No. 2017-08, Premium Amortization on Purchased Callable Debt Securities, provided guidance that shortens the amortization period for certain callable debt securities held at a premium by requiring the premium to be amortized to the earliest call date. The standard does not require an accounting change for securities held at a discount, which continue to be amortized to maturity. This ASU is effective for nonpublic entities with fiscal years beginning after December 15, 2019. We adopted this ASU effective January 1, 2020. The adoption of this ASU did not have a material impact on our consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform, provided guidance to expedite and simplify the accounting associated with the anticipated migration away from the widely-used London Inter-bank Offered Rate and other similar rates as benchmark interest rates (collectively, "LIBOR") after 2021. Under pre-existing GAAP, such modifications made to: (i) loans and certain other contracts would require re-assessments of the accounting for those contacts, such as whether they were extinguished and remeasured from an accounting perspective; This new guidance largely eliminates these requirements as a result of this migration to one or more new benchmark rates and is generally applicable for contract modifications made prior to December 31, 2022. We adopted this ASU effective March 12, 2020. The adoption of this ASU did not have a material impact on our consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40) to simplify accounting for certain financial instruments. ASU 2020-06 eliminates the current models that require separation of beneficial conversion and cash conversion features from convertible instruments and simplifies the derivative scope exception guidance pertaining to equity classification of contracts in an entity's own equity. The new standard also introduces additional disclosures for convertible debt and freestanding instruments that are indexed to and settled in an entity's own equity. ASU 2020-06 amends the diluted earnings per share guidance, including the requirement to use the if-converted method for all convertible instruments. ASU 2020-06 is effective January 1, 2022 and should be applied on a full or modified retrospective basis, with early adoption permitted beginning on January 1, 2021. The Company adopted ASU 2020-06 on a full retrospective basis, effective January 1, 2021. The adoption of ASU simplifies the accounting and disclosure of convertible instruments as a part of filing financial statements with the U.S. Securities and Exchange Commission (SEC).

4. Goodwill and Intangible Assets

Acquisition of Aegis Surety

In January 2021, we closed on an agreement to purchase the surety business of Aegis Surety Bonds and Insurance Services, LLC ("Aegis") in exchange for $10.0 million in cash and the disposal of our Exterminator Pro business. The Aegis acquisition increased our scale in surety positioning the business line for profitable growth. The implied fair value of the Aegis surety underwriting business was $15.3 million and we recognized a gain of $3.5 million on disposal of the assets related to our Exterminator Pro underwriting business. We determined that the remaining goodwill of $0.9 million associated with our Exterminator Pro business was fully impaired after the disposal. We recorded the assets from Aegis using the acquisition method of accounting. The purchase price was allocated to the identifiable assets based on their estimated fair values on the acquisition date. The final purchase price was an $8.3 million intangible asset for agent relationships with a 15 year useful life and $6.9 million of goodwill. We review our purchase price allocation up to 1 year subsequent to an acquisition and may make adjustments within the one year period.

Compass

During the second quarter of 2021, we elected to exit a book of errors & omissions business generated from our acquisition of Compass Group Partners, LLC ("Compass"). As a result of this decision, we

4. Goodwill and Intangible Assets (continued)

determined the fair value of the goodwill and agent relationships was zero, resulting in an impairment of $1.9 million and $0.1 million, respectively.

Sale of Boston Indemnity Company

During June of 2021, the Company signed a Purchase Agreement with an unrelated third party for the sale of all the issued and outstanding capital stock of Boston Indemnity Company (BIC). The transaction was completed on October 4, 2021. The Company recorded $8.2 million in net proceeds related to the sale and recognized $1.8 million of gain on sale of business.

Exterminator Pro

In 2020, we decided to dispose of our Exterminator Pro business. As part of our annual review of goodwill, we performed a discounted cash flow analysis of the business using the updated projections from the strategic plan and determined that the implied fair value was less than the carrying value resulting in $9.2 million of Exterminator Pro's goodwill being impaired.

Hospitality

In 2020, as part of our annual review and approval of our strategic plan, we performed a detailed review of the projections and business plan of our Hospitality underwriting division. We considered the impact of the pandemic, the future viability of the business considering its historical loss ratios and expense loads, as well as the durability of the business. Based on this analysis, we determined that Hospitality's implied fair value was less than its carrying value resulting in 100% of Hospitality's goodwill, $10.4 million, being impaired.

Accident and Health

In 2020, as part of our annual review and approval of our strategic plan, we updated our cash flow projections of our Accident & Health underwriting division. We considered the future viability of the business considering projected loss ratios as a result of recent loss experience. Based on this analysis, we determined that the implied fair value was less than the carrying value of our Accident and Health underwriting division resulting in a goodwill impairment charge of $38.0 million.

The carrying amount and changes in the balance of goodwill by reporting unit as of December 31, 2021 and 2020 is as follows (in thousands):

	Accident and Health	Surety	Energy	Exterminator Pro	Other	Total
Goodwill						
Gross balance at December 31, 2020	$ 91,577	$ —	$ 10,052	$ 11,810	$ 4,681	118,120
Accumulated impairment at December 31, 2020	(44,821)	—	—	(9,248)	—	(54,069)
Additions	—	6,956	—	—	—	6,956
Disposals	—	(175)	—	(1,680)	(650)	(2,505)
Impairment	—	—	—	(882)	(1,886)	(2,768)
Net balance at December 31, 2021	$ 46,756	$ 6,781	$ 10,052	$ —	$ 2,145	$ 65,734

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Goodwill and Intangible Assets (continued)

	Accident and Health	Hospitality	Energy	Exterminator Pro	Other	Total
Goodwill						
Gross balance at December 31, 2019	$ 91,577	$ 10,361	$ 10,052	$ 11,810	$ 4,681	128,481
Accumulated impairment at December 31, 2019	(6,846)	—	—	—	—	(6,846)
Disposals	—	—	—	—	—	—
Impairment	(37,975)	(10,361)	—	(9,248)	—	(57,584)
Net balance at December 31, 2020	$ 46,756	$ —	$ 10,052	$ 2,562	$ 4,681	$ 64,051

The carrying amount and changes in the balance of other intangible assets as of December 31, 2021 and 2020 are as follows (in thousands):

	Agent Relationships	Non-competes	Trade-marks	Licenses	Total
Other Intangible Assets					
Gross balance at December 31, 2020	$ 16,355	$ 1,117	$ 1,122	$ 15,019	$ 33,613
Accumulated amortization at December 31, 2020	(13,203)	(447)	—	—	(13,650)
Additions	8,300	—	—	—	8,300
Disposals	(45)	—	(123)	(1,000)	(1,168)
Impairment	(52)	—	—	—	(52)
Amortization	(1,218)	(223)	—	—	(1,441)
Net balance at December 31, 2021	$ 10,137	$ 447	$ 999	$ 14,019	$ 25,602

	Agent Relation-ships	Policy Renewals	Non-competes	Trade-marks	Licenses	Total
Other Intangible Assets						
Gross balance at December 31, 2019	$ 13,164	$ 3,826	$ 3,755	$ 1,122	$ 15,019	$ 36,886
Accumulated amortization at December 31, 2019	(9,295)	(3,702)	(2,617)	—	—	(15,614)
Amortization	(717)	(124)	(468)	—	—	(1,309)
Net balance at December 31, 2020	$ 3,152	$ —	$ 670	$ 1,122	$ 15,019	$ 19,963

Our indefinite lived intangible assets relate to insurance licenses and trademarks. Our finite lived intangible assets, which relate to policy renewals, agency relationships, within Agent Relationships, and non-compete/exclusivity agreements, within Non-competes, have a weighted average useful life of approximately 14 years as of December 31, 2021.

We recognized amortization expense of approximately $1.4 million and $1.3 million for the years ended December 31, 2021 and 2020, respectively.

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Goodwill and Intangible Assets (continued)

Estimated future net amortization expense of intangible assets for the next five years is as follows (in thousands):

Year Ending December 31,	Amount
2022	$ 1,466
2023	1,466
2024	1,074
2025	998
2026	553

5. Investments

The amortized cost and the fair value of our investments as of December 31, 2021 and 2020 are summarized as follows (in thousands):

	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2021				
Fixed maturity securities, available for sale:				
U.S. government securities	$ 48,816	$ 716	$ (269)	$ 49,263
Corporate securities and miscellaneous	151,053	3,698	(588)	154,163
Municipal securities	53,179	3,799	(36)	56,942
Residential mortgage-backed securities	103,758	1,232	(1,255)	103,735
Commercial mortgage-backed securities	14,634	38	(188)	14,484
Asset-backed securities	81,038	226	(1,500)	79,764
Total fixed maturity securities, available for sale	$ 452,478	$ 9,709	$ (3,836)	$ 458,351
Fixed maturity securities, held to maturity:				
Asset-backed securities	$ 47,117	$ —	$ —	$ 47,117
Total fixed maturity securities, held to maturity	$ 47,117	$ —	$ —	$ 47,117
Equity securities:				
Common stocks	$ 47,379	$ 13,887	$ (2,841)	$ 58,425
Preferred stocks	17,821	349	(4)	18,166
Mutual funds	33,786	7,611	(17)	41,380
Total equity securities	$ 98,986	$ 21,847	$ (2,862)	$ 117,971

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Investments (continued)

	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2020				
Fixed maturity securities, available for sale:				
U.S. government securities	$ 53,304	$ 1,515	$ (2)	$ 54,817
Corporate securities and miscellaneous	63,573	5,859	(8)	69,424
Municipal securities	53,200	5,153	—	58,353
Residential mortgage-backed securities	78,678	2,849	(3)	81,524
Commercial mortgage-backed securities	2,872	56	(27)	2,901
Asset-backed securities	47,827	544	(389)	47,982
Total fixed maturity securities, available for sale	$ 299,454	$ 15,976	$ (429)	$ 315,001
Fixed maturity securities, held to maturity:				
Asset-backed securities	$ 28,393	$ —	$ —	$ 28,393
Total fixed maturity securities, held to maturity	$ 28,393	$ —	$ —	$ 28,393
Equity securities:				
Common stocks	$ 44,742	$ 6,738	$ (4,250)	$ 47,230
Mutual funds	29,370	1,268	(2)	30,636
Total equity securities	$ 74,112	$ 8,006	$ (4,252)	$ 77,866

The amortized cost and estimated fair value of fixed maturity securities, available for sale, at December 31, 2021 by contractual maturity are shown below (in thousands). Expected maturities may differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Also, changing interest rates, tax considerations or other factors may result in portfolio sales prior to maturity.

	Amortized Cost	Fair Value
December 31, 2021		
Due in less than one year	$ 10,614	$ 10,724
Due after one year through five years	138,804	141,714
Due after five years through ten years	81,933	83,864
Due after ten years	21,697	24,066
Mortgage-backed securities	118,392	118,219
Asset-backed securities	81,038	79,764
Total	$ 452,478	$ 458,351

The amortized cost and estimated fair value of fixed maturity securities, held to maturity, at December 31, 2021 by contractual maturity are shown below (in thousands). Expected maturities may differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Investments (continued)

	Amortized Cost	Fair Value
December 31, 2021		
Asset-backed securities	$ 47,117	$ 47,117
Total	$ 47,117	$ 47,117

The following tables summarize gross unrealized losses and the corresponding fair values of investments, aggregated by length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2021 and 2020 (in thousands).

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2021						
U.S. government securities	$ 19,819	$ (267)	$ 108	$ (2)	$ 19,927	$ (269)
Corporate securities and miscellaneous	47,308	(588)	—	—	47,308	(588)
Municipal securities	4,549	(36)	—	—	4,549	(36)
Residential mortgage-backed securities	72,672	(1,252)	145	(3)	72,817	(1,255)
Commercial mortgage-backed securities	12,653	(175)	241	(12)	12,894	(187)
Asset-backed securities	34,266	(1,463)	1,256	(38)	35,522	(1,501)
Total fixed maturity securities, available for sale	191,267	(3,781)	1,750	(55)	193,017	(3,836)
Common stocks	2,493	(1,066)	7,885	(1,775)	10,378	(2,841)
Preferred stocks	1,353	(4)	—	—	1,353	(4)
Mutual funds	5,441	(17)	—	—	5,441	(17)
Equity securities	9,287	(1,087)	7,885	(1,775)	17,172	(2,862)
Total	$ 200,554	$ (4,868)	$ 9,635	$ (1,830)	$ 210,189	$ (6,698)

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Investments (continued)

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2020						
U.S. government securities	$ 108	$ (2)	$ —	$ —	$ 108	$ (2)
Corporate securities and miscellaneous	976	(8)	—	—	976	(8)
Residential mortgage-backed securities	5,502	(3)	—	—	5,502	(3)
Commercial mortgage-backed securities	327	(27)	—	—	327	(27)
Asset-backed securities	3,247	(389)	—	—	3,247	(389)
Total fixed maturity securities, available for sale	10,160	(429)	—	—	10,160	(429)
Common stocks	7,102	(2,034)	7,940	(2,216)	15,042	(4,250)
Mutual funds	150	(2)	—	—	150	(2)
Equity securities	7,252	(2,036)	7,940	(2,216)	15,192	(4,252)
Total	$ 17,412	$ (2,465)	$ 7,940	$ (2,216)	$ 25,352	$ (4,681)

As of December 31, 2021 we have 5 lots of fixed maturity securities in an unrealized loss position aged over 12 months. We do not have the intent to sell and it is not more likely-than-not that we will be required to sell these fixed maturity securities, available for sale, before the securities recover to their amortized cost value. In addition, we believe that none of the declines in the fair values of these fixed maturity securities, available for sale relate to credit losses. We believe that none of the declines in the fair value of these fixed maturity securities, available for sale, and equity securities were other-than-temporary at December 31, 2021. We recognized no other-than-temporary impairment adjustments on fixed maturity securities, available for sale, or equity securities for the years ended December 31, 2021 and 2020.

The components of net realized gains (losses) for the years ended December 31, 2021 and 2020 are as follows (in thousands):

	2021	2020
Gross realized gains		
Fixed maturity securities, available for sale	$ 474	$ 982
Equity securities	2,763	6,817
Other	13	258
Total	3,250	8,057
Gross realized losses		
Fixed maturity securities, available for sale	(1,160)	(885)
Equity securities	(230)	(5,678)
Other invested assets	—	(283)
Other	(4)	(144)
Total	(1,394)	(6,990)
Net realized gains	$ 1,856	$ 1,067

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Investments (continued)

Proceeds from sales of fixed maturity securities, available for sale and equity securities for the year ended December 31, 2021 were approximately $15.1 million and $38.0 million, respectively. Proceeds from sales of fixed maturity securities, available for sale and equity securities for the year ended December 31, 2020 were approximately $28.0 million and $34.4 million, respectively.

Our net investment income for the years ended December 31, 2021 and 2020 is summarized as follows (in thousands):

	2021	2020
Income:		
Fixed maturity securities, available for sale	$ 9,931	$ 7,479
Fixed maturity securities, held to maturity	4,840	792
Equity securities	2,572	1,638
Equity method investments	9,280	4,084
Mortgage loans	1,188	327
Indirect loans	1,852	1,756
Short term investments and cash	141	1,278
Other	241	494
Total investment income	30,045	17,848
Investment expenses	(5,399)	(3,718)
Net investment income	$ 24,646	$ 14,130

The change in net unrealized (losses) gains on investments, net of deferred income taxes, in other comprehensive income for the years ended December 31, 2021 and 2020 is as follows (in thousands):

	2021	2020
Fixed maturity securities	$ (9,674)	$ 9,015
Deferred income taxes	2,098	(1,814)
Total	$ (7,576)	$ 7,201

We are required by various state regulations to maintain cash, investment securities or letters of credit on deposit with the states in a depository account. At December 31, 2021 and 2020, cash and investment securities on deposit had fair values of approximately $63.2 million and $58.2 million, respectively.

6. Fair Value Measurements

Our financial instruments include assets and liabilities carried at fair value, as well as assets and liabilities carried at cost or amortized cost but disclosed at fair value in our financial statements. In determining fair value, we generally apply the market approach, which uses prices and other relevant data based on market transactions involving identical or comparable assets and liabilities.

We are responsible for the determination of the fair value of our investments. To complete this valuation, we use data primarily provided by third-party investment managers or pricing vendors. We perform periodic analyses on the prices received from third parties to determine whether the prices are reasonable estimates of fair value. Our analyses include a review of month-to-month price fluctuations and, as needed, a comparison of pricing services' valuations to other pricing services' valuations for the identical security.

We classify our financial instruments into the following three-level hierarchy:

Level 1 — Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Fair Value Measurements (continued)

Level 2 — Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 — Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

We used the following methods and assumptions in estimating the fair value disclosures for financial instruments in the accompanying consolidated financial statements and in these notes:

U.S. government securities, mutual funds and common stock

We use unadjusted quoted prices for identical instruments in an active exchange to measure fair value which represent Level 1 inputs.

Preferred stocks, municipal securities, corporate securities and miscellaneous

We use a pricing model that utilizes market-based inputs such as trades in an illiquid market for a particular security or trades in active markets for securities with similar characteristics. The model considers other inputs such as benchmark yields, issuer spreads, security terms and conditions, and other market data. These represent Level 2 fair value inputs.

Commercial mortgage-backed securities, residential mortgage-backed securities and asset-backed securities

We use a pricing model that utilizes market-based inputs that may include dealer quotes, market spreads, and yield curves. We may evaluate individual tranches in a security by determining cash flows using the security's terms and conditions, collateral performance, credit information benchmark yields and estimated prepayments. These represent Level 2 fair value inputs.

The following table presents the carrying value and estimated fair value of our financial instruments as of December 31, 2021 and 2020:

	December 31, 2021		December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Fixed maturity securities, available for sale	$ 458,351	$ 458,351	$ 315,001	$ 315,001
Fixed maturity securities, held to maturity	47,117	47,117	28,393	28,393
Equity securities	117,971	117,971	77,866	77,866
Mortgage loans	29,531	29,264	5,228	5,142
Short-term investments	164,278	164,278	235,957	235,957
Cash and cash equivalents	42,107	42,107	63,455	63,455
Restricted cash	65,167	65,167	50,168	50,168
Liabilities				
Notes payable	$ 50,000	$ 50,000	$ 50,000	$ 50,000
Subordinated debt	78,529	83,235	78,448	83,235

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Fair Value Measurements (continued)

The following table summarizes fair value measurements by level at December 31, 2021 and 2020 for assets and liabilities measured at fair value on a recurring basis (in thousands):

	Level 1	Level 2	Level 3	Total
December 31, 2021				
Fixed maturity securities, available for sale:				
U.S. government securities	$ 49,263	$ —	$ —	$ 49,263
Corporate securities and miscellaneous	—	154,163	—	154,163
Municipal securities	—	56,942	—	56,942
Residential mortgage-backed securities	—	103,735	—	103,735
Commercial mortgage-backed securities	—	14,484	—	14,484
Asset-backed securities	—	79,764	—	79,764
Total fixed maturity securities, available for sale	49,263	409,088	—	458,351
Common stocks:				
Consumer discretionary	2,102	—	—	2,102
Consumer staples	13,643	—	—	13,643
Energy	2,781	—	—	2,781
Finance	24,657	—	—	24,657
Industrial	8,806	—	—	8,806
Information technology	2,408	—	—	2,408
Materials	3,160	—	—	3,160
Other	868	—	—	868
Total common stocks	58,425	—	—	58,425
Preferred stocks:				
Finance	—	17,018	—	17,018
Other	—	1,148	—	1,148
Total preferred stocks	—	18,166	—	18,166
Mutual funds:				
Fixed income	5,374	—	—	5,374
Equity	35,471	—	—	35,471
Commodity	535	—	—	535
Total mutual funds	41,380	—	—	41,380
Total equity securities	99,805	18,166	—	117,971
Short-term investments	164,278	—	—	164,278
Total assets measured at fair value	$ 313,346	$ 427,254	$ —	$ 740,600

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
December 31, 2020				
Fixed maturity securities, available for sale:				
U.S. government securities	$ 54,817	$ —	$ —	$ 54,817
Corporate securities and miscellaneous	—	69,424	—	69,424
Municipal securities	—	58,353	—	58,353
Residential mortgage-backed securities	—	81,524	—	81,524
Commercial mortgage-backed securities	—	2,901	—	2,901
Asset-backed securities	—	47,982	—	47,982
Total fixed maturity securities, available for sale	54,817	260,184	—	315,001
Common stocks:				
Consumer discretionary	1,462	—	—	1,462
Consumer staples	11,415	—	—	11,415
Energy	2,294	—	—	2,294
Finance	22,105	—	—	22,105
Industrial	5,669	—	—	5,669
Information technology	1,706	—	—	1,706
Materials	1,923	—	—	1,923
Other	656	—	—	656
Total common stocks	47,230	—	—	47,230
Mutual funds:				
Fixed income	808	—	—	808
Equity	29,229	—	—	29,229
Commodity	599	—	—	599
Total mutual funds	30,636	—	—	30,636
Total equity securities	77,866	—	—	77,866
Short-term investments	235,957	—	—	235,957
Total assets measured at fair value	$ 368,640	$ 260,184	$ —	$ 628,824

6. Fair Value Measurements (continued)

We measure certain assets, including investments in indirect loans and loan collateral, equity method investments and other invested assets, at fair value on a nonrecurring basis only when they are deemed to be other-than-temporarily-impaired.

In addition to the preceding disclosures on assets and liabilities recorded at fair value in the consolidated balance sheets, we are also required to disclose the fair values of certain other financial instruments for which it is practicable to estimate fair value. Estimated fair value amounts, defined as the quoted market price of a financial instrument, have been determined using available market information and other appropriate valuation methodologies. However, considerable judgements are required in developing the estimates of fair value where quoted market prices are not available. Accordingly, these estimates are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions or estimating methodologies may have an effect on the estimated fair value amounts.

We used the following methods and assumptions in estimating the fair value disclosures of other financial instruments:

Fixed maturity securities, held to maturity: Fixed maturity securities, held to maturity consists of senior and junior notes with target rates of return. We determined the fair value of these instruments using the market approach utilizing inputs that consisted of transactions in a private market (Level 2) as of December 31, 2020. As of December 31, 2021, we determined the fair value of these instruments using the income approach utilizing inputs that are unobservable (Level 3).

Mortgage loans: Mortgage loans have fixed interest rates and are collateralized by real property. We determine the fair value of mortgage loans using the income approach utilizing inputs that are unobservable (Level 3).

Notes payable: The carrying value approximates the estimated fair value for notes payable as the notes payable accrue interest at current market rates plus a spread. We determine the fair value using the income approach utilizing inputs that are available (Level 2).

Subordinated debt: Subordinated debt consists of two debt instruments, the Junior Subordinated Interest Debentures, due September 15, 2036, and Unsecured Subordinated Notes, due May 24, 2039. The carrying value of the Junior Subordinated Interest Debentures approximates the estimated fair value as the instrument accrues interest at current market rates plus a spread. The Unsecured Subordinated Notes have a fixed interest rate. We determine the fair value of these instruments using the income approach utilizing inputs that are observable (Level 2).

Other financial instruments qualify as insurance-related products and are specifically exempted from fair value disclosure requirements.

7. Mortgage Loans

During 2016, we began investing in a Separately Managed Account ("SMA1"), managed by Arena Investors, LP ("Arena"), which is affiliated with The Westaim Corporation ("Westaim") who, through Westaim HIIG LP (a limited partnership controlled by Westaim), is our largest shareholder. During 2017, we began investing in a second Separately Managed Account ("SMA2"), managed by Arena. As of December 31, 2021 and 2020, we held direct investments in mortgage loans from various creditors through SMA1 and SMA2.

Our mortgage loan portfolios are primarily senior loans on real estate across the U.S. The loans earn interest at fixed rates, mature in five months to three years from loan origination and the principal amounts of the loans range between 55% to 80% property's appraised value at the time the loans were made. Mortgage loan participations are carried at cost adjusted for unamortized: premiums, discounts and loan fees. The

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Mortgage Loans (continued)

carrying value of our mortgage loans and gross investment income as of and for the years ended December 31, 2021 and 2020 are as follows (in thousands):

	2021		2020	
	Carrying Value	Gross Investment Income	Carrying Value	Gross Investment Income
Retail	$ 10,593	$ 66	$ —	$ —
Industrial	6,314	90	—	—
Commercial	6,298	151	—	—
Multi-Family	3,296	143	—	—
Office	1,691	64	—	—
Land	—	451	4,293	264
Hospitality	1,339	223	935	63
Total	$ 29,531	$ 1,188	$ 5,228	$ 327

The uncollectable amounts on loans, on an individual loan basis, are determined based upon consultations and advice from the Company's specialized investment manager and consideration of any adverse situations that could affect the borrower's ability to repay, the estimated value of underlying collateral, and other relevant factors. When an amount is determined to be uncollectable, we directly write off the uncollectable amount in the period it was determined to be uncollectable. For the years ended December 31, 2021 and 2020 we wrote off $0.0 million and $0.3 million, respectively.

As of December 31, 2021 and 2020, approximately $10.8 million and $9.7 million of mortgage loans, respectively, were in the process of foreclosure. The carrying value of the mortgage loans in foreclosure approximates the fair value of the collateral less costs to sell.

8. Other long-term investments

Equity Method Investments

During the year ended December 31, 2020, we invested in investment products issued by Arena Special Opportunities Partners (Feeder) I, LP ("Arena SOP"), managed by Arena, which is affiliated with Westaim. The investment products include senior and junior notes issued by the Arena SOP to raise capital from limited partners to fund purchases of investments. The return on the investments are used to pay interest on the senior and junior notes based on target returns of each class. The senior and junior notes are debt securities classified as held to maturity and presented on the balance sheet within fixed maturity securities, held to maturity. Income in excess of return targets on the senior and junior notes is allocated to the investment in Arena SOP limited partnership ("Arena Rated Product LP units").

During the year ended December 31, 2021, we invested $1.9 million in Hudson Ventures Fund 2, LP. During the year ended December 31, 2021, we invested $5.0 million in Universa Black Swan Protection Protocol LIX L.P. ("Universa Black Swan"). During the year ended December 31, 2021, we invested $12.0 million in JVM Multi-Family Premier Fund IV, LLC and $12.0 million in JVM Preferred Equity Fund, LLC, together "JVM Funds LLC".

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Other long-term investments (continued)

The carrying value of equity method investments as of December 31, 2021 and 2020 is as follows (in thousands):

	2021	2020
Dowling Capital Partners LP units	$ 2,416	$ 2,166
RISCOM	3,366	4,508
Arena Special Opportunities Fund, LP units	41,763	38,958
Arena Rated Product LP units	5,692	974
KIC Surety	—	1
Hudson Ventures Fund 2 LP units	1,913	—
Universa Black Swan LP units	4,354	—
JVM Funds LLC units	24,000	—
Total	$ 83,504	$ 46,607

Net investment income from equity method investments for the years ended December 31, 2021 and 2020 is summarized as follows (in thousands):

	2021	2020
Net investment income		
Dowling Capital Partners LP units	$ 438	$ (454)
RISCOM	1,058	973
Arena Special Opportunities Fund, LP units	3,729	3,514
Arena Rated Product LP units	4,717	975
PVI Agency LLC	—	(924)
Hudson Ventures Fund 2 LP units	(16)	—
Universa Black Swan LP units	(646)	—
Total	$ 9,280	$ 4,084

The unfunded commitment of equity method investments as of December 31, 2021 and 2020 is as follows (in thousands):

	2021	2020
Dowling Capital Partners LP units	$ 368	$ 350
Arena Rated Product LP units	—	16,937
Hudson Ventures Fund 2 LP units	3,063	—
Total	$ 3,431	$ 17,287

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Other long-term investments (continued)

The difference between the cost of an investment and our proportionate share of the underlying equity in net assets is allocated to the various assets and liabilities of the equity method investment. We amortize the difference in net assets over the same useful life of a similar asset as the underlying equity method investment. For RISCOM, a similar asset would be agent relationships, which we amortize over a 15 year useful life and we amortize the difference in net assets of RISCOM over 15 years. The following table summarizes our recorded investment compared to our share of underlying equity (in thousands):

	Underlying Equity	Difference	Recorded Investment Balance
December 31, 2021			
RISCOM	$ 1,378	$ 1,988	$ 3,366

	Underlying Equity	Difference	Recorded Investment Balance
December 31, 2020			
RISCOM	$ 2,276	$ 2,232	$ 4,508

Investment in Bank Holding Companies

Beginning in 2017 and through 2018, we acquired a $2.0 million investment in Captex Bancshares, a Texas bank holding company. Our assessment of our ownership percentage and influence through one of our employees on the Board of Directors of Captex Bankshares indicates that we do not have significant influence over the investee. We carry our investment in Captex Bancshares at cost, less impairment or observable changes in price. We review these investments for impairment or observable changes in price during each reporting period. There were no impairments or observable changes in price during the years ended December 31, 2021 and 2020.

During the first quarter of 2020, we acquired a $2.0 million investment in Gulf Capital, a Texas bank holding company. Our assessment of our ownership percentage indicates that we do not have significant influence over the investee. During the fourth quarter of 2020 we sold approximately $1.8 million of shares to other owners of Gulf Capital at cost. We carry our investment in Gulf Capital at cost, less impairment or observable changes in price. There were no impairments or observable changes in price during the year ended December 31, 2021 and 2020.

Investment in Indirect Loans and Loan Collateral

As of December 31, 2021 and 2020, we held indirect investments in collateralized loans and loan collateral through SMA1 and SMA2. The carrying value and unfunded commitment of the SMA1 and SMA2 as of December 31, 2021 and 2020 is as follows (in thousands):

	Carrying Value	Unfunded Commitment
December 31, 2021		
SMA1	$ 33,100	$ —
SMA2	10,855	16,563
Total	$ 43,955	$ 16,563

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Other long-term investments (continued)

	Carrying Value	Unfunded Commitment
December 31, 2020		
SMA1	$ 39,993	$ 1,517
SMA2	12,121	33,027
Total	$ 52,114	$ 34,544

See Note 11 for common stock acquired from an entity providing our subordinated debt.

9. Property and Equipment

The following table presents the components of property and equipment, which are included within other assets on the consolidated balance sheets.

	2021	2020
Leasehold improvements	$ 2,761	$ 2,777
Furniture and equipment	30,791	29,295
Other	39	94
	33,591	32,166
Accumulated depreciation	(23,964)	(20,796)
Total	$ 9,627	$ 11,370

Depreciation expense for the years ended December 31, 2021 and 2020 was $3.6 million.

10. Leases

We determine if a contract contains a lease at inception and recognize a right-of-use asset, within other assets, and lease liability, within accounts payable and accrued liabilities, based on the present value of future lease payments. In cases where our leases do not provide an implicit interest rate, we use our incremental borrowing rate based on the information available on the inception date to determine the lease liability.

Our leases are primarily for office facilities which have been classified as operating leases. Our leases have remaining lease terms ranging from less than 1 year to 10 years, some of which include options to extend the leases. Lease expense for the years ended December 31, 2021 and 2020 was $2.7 million and $2.9 million, respectively. The following table provides information on our leases as of December 31, 2021 and 2020 (in thousands).

	2021	2020
Operating lease right-of-use assets	$10,532	$11,259
Operating lease liabilities	10,921	11,594
Operating lease weighted-average remaining lease term	5.73 years	6.64 years
Operating lease weighted-average discount rate	3.12%	3.16%

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Leases (continued)

	2021	2020
Operating lease expense	$ 2,607	$ 2,613
Short-term lease expense	127	291
Total lease expense	$ 2,734	$ 2,904
Operating cash outflows from operating leases	$ 2,361	$ 2,505

Future minimum lease payments under operating leases as of December 31, 2021 are as follows (in thousands):

	2021
2022	$ 2,395
2023	2,313
2024	2,106
2025	1,577
2026	1,270
Thereafter	2,305
Total future minimum operating lease payments	$ 11,966
Less imputed interest	(1,045)
Total operating lease liability	$ 10,921

11. Subordinated Debt

The following table summarizes our subordinated debt as of December 31, 2021 and 2020 (in thousands).

	2021	2020
Junior Subordinated Interest Debentures, due September 15, 2036, interest payable quarterly		
Principal	$ 59,794	$ 59,794
Less: debt issuance costs	(705)	(753)
Unsecured Subordinated Notes, due May 24, 2039, interest payable quarterly Principal	20,000	20,000
Less: debt issuance costs	(560)	(593)
Subordinated debt, net of debt issuance costs	$ 78,529	$ 78,448

In May 2019, the Company entered into an agreement to issue unsecured subordinated notes (the "Notes") with an aggregate principal amount of $20.0 million. Interest on the Notes is fixed at 7.25% for the first 8 years and fixed at 8.25% thereafter. Early retirement of the debt ahead of 8 year commitment requires all interest payments paid in full as well as the return of all capital. Principal is due at maturity on May 24, 2039 and interest is payable quarterly. The Notes have junior priority to all previously issued debt. We report the debt related to the Notes in our December 31, 2021 and 2020 consolidated balance sheets, net of debt issuance costs of approximately $0.6 million. These deferred financing costs are presented as a direct deduction from the carrying amount of the subordinated debt.

On August 2, 2006, Delos Capital Trust n/k/a HIIG Capital Trust I (the "Trust"), a Delaware statutory trust, issued $58.0 million of fixed/floating rate capital securities guaranteed by us. The Trust also issued us $1.8 million of common stock, classified within other invested assets. We have not consolidated the Trust that

11. Subordinated Debt (continued)

issued the capital securities, as it does not meet the criteria for consolidation and we do not have significant influence over the investee. We carry our investment in the common stock of the Trust at cost, less impairment or observable changes in price. There were no impairments or observable changes in price during the year ended December 31, 2021.

The sole asset of the Trust consists of Fixed/Floating Rate Junior Subordinated Deferrable Interest Debentures (the "Debentures") with a principal amount of $59.8 million issued by us. The Debentures are an unsecured obligation, are redeemable on or after September 15, 2011, and have a maturity date of September 15, 2036. Interest on the Debentures is payable quarterly at an annual rate based on the three-month LIBOR (0.21% at December 31, 2021) plus 3.4%. We reflect the debt related to the Debentures in our December 31, 2021 and 2020 consolidated balance sheets, net of debt issuance costs of approximately $0.7 million and $0.8 million, respectively. These deferred financing costs are presented as a direct deduction from the carrying amount of the subordinated debt.

12. Notes Payable

The following table summarizes our notes payable as of December 31, 2021 and 2020 (in thousands).

	2021	2020
Term loan, due December 31, 2024, interest payable quarterly	$ 50,000	$ 50,000
Revolving line of credit, due December 31, 2024, interest payable quarterly	—	—
Notes payable	$ 50,000	$ 50,000

The interest rate on the $50.0 million term loan is the lesser of the one-month LIBOR (0.10% on December 31, 2021) plus the Applicable Margin, which is defined as 1.65%, or the highest lawful rate. Interest-only payments are due and payable on a quarterly basis through December 31, 2024. The entire principal balance of the $50.0 million term loan is due December 31, 2024. Interest payments on the term loan were $0.9 and $1.0 million for the years ended December 31, 2021 and 2020, respectively.

The interest rate on the $50.0 million revolving line of credit is the lesser of the prime rate, as published by the Wall Street Journal, or the one-month LIBOR (0.10% on December 31, 2021) plus the Applicable Margin, which is defined as the lesser of 1.65%, or the highest lawful rate. The revolving promissory note includes a fee of 0.25% on the unused portion. Interest-only payments are due and payable on a quarterly basis through December 31, 2024. The entire principal balance of the $50.0 million revolving line of credit is due December 31, 2024. Interest payments on the revolving line of credit were $0.0 and $0.4 million for the years ended December 31, 2021 and 2020, respectively. Subject to lender approval, we have a right to increase the capacity to $75.0 million.

The indebtedness is collateralized by a perfected first priority security interest in all of the assets of SSIG and SUA and the outstanding capital stock of HSIC.

Our credit agreement includes financial covenants that require the Company maintain minimum surplus and risk based capital on HSIC, minimum net worth, and a minimum fixed charge coverage ratio as well as other customary covenants and events of default. As of December 31, 2021, the Company was in compliance with all covenants in our credit agreement.

13. Temporary Equity and Stockholders' Equity

Preferred Share Rights Offering

On April 24, 2020 the Company closed a private preferred share rights offering. Existing holders of common stock were given the right to subscribe for shares, on a pro rata basis, of Series A Convertible

13. Temporary Equity and Stockholders' Equity (continued)

Preferred Stock (the "Preferred Shares") with a face value of $50.00 per share. The Company issued $100.0 million of Preferred Shares and received $90.2 million of cash, net of issuance costs. Employees of the Company participating in the offering financed their purchase with $9.6 million in stock notes receivable. Approximately $33.8 million of the proceeds were used to repay, in its entirety, the remaining principal balance on the Company's revolving line of credit that was executed on December 11, 2019.

Conversion feature

The Preferred Shares provide the holder the option at any time to convert the Preferred Shares into common stock based on the Option Conversion Rate. The initial Option Conversion rate allowed the holder of the Preferred Shares the right to convert into common stock based on a conversion price equal to $6.96 per common share. In accordance with the terms of the Preferred Shares, the Option Conversion Rate will be adjusted upon the completion of the audit of the financial statements as of and for the year ended December 31, 2021. The adjustments to the Option Conversion Rate will consist of adjustments for: (i) the after-tax cost of the LPT, a retroactive reinsurance agreement we entered into during the second quarter of 2020; (ii) the after-tax impact of any co-participation expense related to the LPT; (iii) the development of losses and LAE reserves subject to but in excess of limits on the LPT; and (iv) the after-tax impact of development on losses and LAE reserves not subject to the LPT subsequent to December 31, 2019. As of December 31, 2021 the Option Conversion Rate allowed the holder of the Preferred Shares the right to convert into common stock based on a conversion price equal to $6.04 per common share. Since the Preferred Shares did not have a contractual limit on the number of common shares that could be issued and the Option Conversion Rate was contingently adjustable on December 31, 2021, we did not have the ability to settle in common shares before December 31, 2021 and the Preferred Shares were classified within Temporary Equity as December 31, 2020.

As of December 31, 2021, the 1,970,124 outstanding Preferred Shares could be converted into 16,305,113 common shares after the final adjustment to the Option Conversion Rate. The Option Conversion Rate will not be updated subsequent to December 31, 2021. As of December 31, 2021 we have the ability to settle in common shares and the Preferred Shares were classified within Stockholders' Equity.

The Preferred Shares are subject to mandatory conversion upon a defined change of control transaction or the closing of an initial public offering at the Mandatory Conversion Rate. The Mandatory Conversion Rate is similar to the Option Conversion Rate but is adjusted for the after-tax impact of any co-participation expense related to the LPT, the development of losses and LAE reserves in excess of limits on the LPT and the after-tax impact of development on losses and LAE reserves not subject to the LPT on the final day of the last quarter-end prior to when a defined change of control transaction or closing of an initial public offering occurs. As of December 31, 2021, the Mandatory Conversion Rate allowed the holder of the Preferred Shares the right to convert into common stock based on a conversion price equal to $6.04 per common share.

Preference

The Preferred Shares have preference in liquidation over common stock in the amount of the face value of $50.00 per share and any declared but unpaid dividends to related common shares at the applicable conversion rate.

Retrospective adjustment to the Preferred Share Rights Offering

On April 24, 2020, the Company closed a private preferred share rights offering where eligible employees could participate in the offering based on their common shares. Subsequent to the offering, several employees' forfeited common and award shares under the Legacy Programs during the year ended December 31, 2021. The employees' participation in the preferred share rights offering were retrospectively adjusted for the forfeitures. The retrospective adjustment to the preferred share rights offering resulted in the reduction of

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Temporary Equity and Stockholders' Equity (continued)

6,186 preferred shares and cancellation of stock notes receivable of $0.2 million, for the year ended December 31. 2021.

14. Income Taxes

Income tax (benefit) expense consists of the following for the years ended December 31, 2021 and 2020 (in thousands):

	2021	2020
Current income tax expense	$ —	$ 190
Deferred tax (benefit) expense related to temporary differences	9,992	(20,080)
Total income tax (benefit) expense	$ 9,992	$ (19,890)

Our provision for income taxes generally does not deviate substantially from the statutory tax rate. The effective tax rate may vary slightly from the statutory rate due to tax adjustments for tax-exempt income and dividends-received deduction. The effective tax rates for the year ended December 31, 2021 and 2020 are listed below.

The differences between income taxes expected at the Federal statutory income tax rate of 21% and the reported income tax expense for the years ended December 31, 2021 and 2020 are summarized as follows (in thousands):

	2021		2020	
	Amount	Percentage	Amount	Percentage
Income tax (benefit) expense at federal statutory rate	$ 10,145	21.0%	$ (19,852)	21.0%
Tax advantaged investments	(256)	(0.5)	(197)	0.2
Other	103	0.2	159	(0.2)
Total income tax (benefit) expense	$ 9,992	20.7%	$ (19,890)	21.0%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below (in thousands) as of December 31, 2021 and 2020:

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Income Taxes (continued)

	2021	2020
Deferred tax assets:		
Net operating losses	$ 28,009	$ 32,032
Losses and loss adjustment expenses	7,782	5,591
Unearned premiums	9,461	8,255
Intangibles	1,632	3,485
Stock options/awards	627	527
Other	1,034	1,841
Total deferred tax assets	48,545	51,731
Less valuation allowance	(586)	(586)
Total deferred tax assets after valuation allowance	47,959	51,145
Deferred tax liabilities:		
Deferred policy acquisition costs	6,063	3,712
Depreciation	1,459	1,595
Investments	5,507	1,038
Unrealized gains on investments	1,230	3,261
Other	37	21
Total deferred tax liabilities	14,296	9,627
Net deferred tax assets	$ 33,663	$ 41,518

We made no payments for federal income taxes, during the years ended December 31, 2021 and 2020, which are available for recoupment in the event of future losses. The Company's federal income tax returns for tax years 2018 to 2020 are subject to examination by the Internal Revenue Service.

As of December 31, 2021 and 2020, management does not believe there are any uncertain tax benefits that could be recognized within the next twelve months that would impact the Company's effective tax rate. We classify all interest and penalties related to tax contingencies as income tax expense. As of December 31, 2021 and 2020, there was no accrued interest recorded as an income tax liability.

The Company has federal net operating loss carryforwards of approximately $133.4 million. These net operating losses are set to expire beginning in 2030. The Company is limited on the utilization of $63.3 million of the net operating losses under Internal Revenue Code Section 382 which imposes limitations on a corporation's ability to utilize tax attributes if the corporation experiences an "ownership change." The Company experienced an ownership change during 2013. The 382 limitation is expected to result in an expiration of $2.8 million ($0.6 million tax effected) of net operating losses. A valuation allowance has been established against this balance that is expected to expire without utilization.

We provide a valuation allowance against deferred tax assets when it is more likely-than-not that some portion, or all, of deferred tax assets will not be realized. Our deferred tax valuation allowance for the years ended December 31, 2021 and 2020 is as follows (in thousands):

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Income Taxes (continued)

	2021	2020
Balance at beginning of year	$ 586	$ 586
Increase (decrease) related to:		
Net operating losses	—	—
Balance at end of year	$ 586	$ 586

15. Losses and Loss Adjustment Expenses

We present our loss development on a consolidated basis, however, we evaluate net ultimate loss and LAE under three sub-categories: multiline solutions, short tail/monoline specialty lines and exited lines. We have chosen to disaggregate our short-duration loss disclosures in this manner as to not obscure useful information by otherwise aggregating items with significantly different characteristics. A description of the factors we considered in our disaggregation by sub-category is as follows:

Multi-line Solutions

Multi-line solutions includes those market niches for which we provide multiple products most frequently as an integrated solution. The multi-line solution subcategory is made up predominantly of occurrence liability including general liability, excess liability, and commercial auto. Multi-line solutions have a longer duration for losses to fully develop compared to short-tail/monoline specialty lines. Due to the unique claim characteristics of each product and the longer-tail nature of the multi-line solutions, this introduces more uncertainty as over time the claims can impacted by changes in regulation, inflation and other unforeseen factors.

Short tail/monoline specialty lines

Short tail/monoline specialty lines includes those market niches for which we serve with monoline solutions which generally have shorter durations for losses to fully develop. Losses for these lines are generally reported within a short period of time from the date of loss, and in most instances, claims are settled and paid within a relatively short timeframe. Short tail/monoline specialty can be impacted by larger losses which can be more complex due to factors such as difficulty determining actual damages, legal and regulatory impediments potentially extending the period of time it takes to settle and pay claims.

Exited lines

Exited lines includes all underwriting divisions which we have placed in run-off and are presented separately from lines that we currently underwrite.

A reconciliation of unpaid losses and loss adjustment expenses as reported in the consolidated balance sheet as of and for the years ended December 31, 2021 and 2020 are as follows (in thousands):

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Losses and Loss Adjustment Expenses (continued)

	2021	2020
Reserves for losses and LAE, beginning of period	$ 856,780	$ 683,970
Less: reinsurance recoverable on unpaid claims, beginning of period	(375,178)	(333,286)
Reserves for losses and LAE, beginning of period, net of reinsurance	481,602	350,684
Incurred, net of reinsurance, related to:		
Current period	338,348	301,845
Prior years	28,000	49,553
Total incurred, net of reinsurance	366,348	351,398
Paid, net of reinsurance, related to:		
Current period	77,551	98,781
Prior years	172,188	121,699
Total paid	249,739	220,480
Net reserves for losses and LAE, end of period	598,211	481,602
Plus: reinsurance recoverable on unpaid claims, end of period	381,338	375,178
Reserves for losses and LAE, end of period	$ 979,549	$ 856,780

During the year ended December 31, 2021, our net incurred losses and LAE for accident years 2020 and prior developed unfavorably by $28.0 million. This unfavorable development was driven by $28.8 million of unfavorable development in exited lines and $4.8 million of unfavorable development in multi-line solutions, partially offset by $5.6 million of favorable development in short tail lines.

Within exited lines, unfavorable development of $28.8 million was primarily related to 2013, 2015, and 2018 accident years and predominantly driven by increases in both frequency and severity of losses in general liability. Within multi-line solutions, unfavorable development of $4.8 million was primarily related to 2016 and 2017 accident years and was driven by increased frequency and severity of claims in commercial auto. Within short tail lines, favorable development of $5.6 million was primarily related to 2019 and 2020 accident years and was driven by favorable loss emergence relative to actuarial expectations in property and accident & health product areas.

During the year ended December 31, 2020, our net incurred losses for accident years 2019 and prior developed unfavorably by $49.6 million. This unfavorable development was driven by $45.9 million of unfavorable development in exited lines and $18.2 million of unfavorable development in multi-line solutions, partially offset by $14.6 million of favorable development in short tail lines.

Within exited lines, unfavorable development of $45.9 million, was primarily related to 2016 through 2018 accident years and driven by unfavorable loss emergence relative to actuarial expectations of general liability. Within multi-line solutions, unfavorable development of $18.2 million, was primarily related to 2016 and 2017 accident years and driven by increased frequency and severity of claims in commercial auto. Within short tail lines, favorable development of $14.6 million, was primarily related to 2019 accident year and was driven by favorable loss emergence relative to actuarial expectations in property.

Short Duration Contract Disclosures

Losses and LAE reserves represent our best estimate of the ultimate net cost of all reported and unreported losses that are unpaid as of the balance sheet dates. Our estimated reserves for losses and LAE include the accumulation of estimates for claims reported and unpaid prior to the balance sheet dates, estimates (based on projections of relevant historical data) of increases in claims costs for claims already

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Losses and Loss Adjustment Expenses (continued)

reported, of claims incurred but not reported, and estimates of expenses for investigating and adjusting all incurred and unpaid claims.

In determining the cumulative number of reported claims, the Company measures claim counts by incident. The claim counts include all claims reported, even if the Company does not establish a liability for the claim (i.e. reserve for loss and loss adjustment expenses).

Multi-line Solutions — mid to longer tail lines of business, includes our industry solutions, programs, captives and transactional E&S underwriting divisions

Multi-line Solutions Incurred Losses and LAE, Net of Reinsurance Years Ended December 31,											As of December 31, 2021	
	Supplemental and unaudited											
Accident Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	IBNR	Cumulative Number of Reported Claims
2012	$20,529	$24,952	$ 25,952	$ 30,046	$ 30,524	$ 29,696	$ 29,696	$ 29,714	$ 29,616	$ 29,242	$ 317	1,784
2013		66,517	71,800	64,439	73,382	75,196	74,701	74,987	75,419	69,496	1,478	3,323
2014			100,355	100,355	115,749	116,970	116,970	117,783	118,995	120,697	1,873	4,972
2015				103,191	114,266	117,024	117,024	119,216	121,746	122,839	2,814	5,355
2016					63,223	62,843	62,843	62,643	69,701	73,200	2,422	4,686
2017						65,332	65,332	64,260	72,913	78,578	3,254	5,505
2018							74,476	74,476	73,868	73,868	11,704	5,027
2019								107,432	106,432	106,432	8,576	5,982
2020									140,880	140,880	47,439	5,306
2021										173,568	103,596	5,470
Total										$ 988,800	$183,473	47,410
Cumulative net paid loss and LAE from the table below										(708,372)		
Net reserves for loss and LAE before 2012										6,414		
Total net reserves for loss and LAE										$ 286,842		

Multi-line Solutions Cumulative Paid Losses and ALAE, Net of Reinsurance Years Ended December 31,										
	Supplemental and unaudited									
Accident Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2012	909	10,103	20,146	24,571	26,837	27,666	28,454	28,436	28,541	29,171
2013		19,912	40,425	48,673	59,460	67,857	73,511	75,117	75,340	75,030
2014			32,530	63,699	81,251	96,639	101,984	104,984	105,756	106,214
2015				44,152	72,137	88,833	99,401	108,291	114,098	117,295
2016					23,239	42,528	53,352	58,895	60,864	63,893
2017						23,770	41,945	53,093	64,235	67,243
2018							26,201	42,568	50,320	64,119
2019								33,019	59,529	78,803
2020									33,538	67,216
2021										39,388
Total										$708,372

Short Tail/Monoline Specialty — includes specialty/monoline business — Global Property, A&H, Surety, Professional Lines underwriting divisions

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Losses and Loss Adjustment Expenses (continued)

Short Tail/Monoline Specialty Incurred Losses and LAE, Net of Reinsurance Years Ended December 31,						As of December 31, 2021	
	Supplemental and unaudited						
Accident Year	2017	2018	2019	2020	2021	IBNR	Cumulative Number of Reported Claims
2017	$28,989	$28,989	$29,359	$29,799	$ 28,923	$ —	891
2018		33,570	33,570	33,570	36,863	2,957	857
2019			62,922	48,101	45,301	(217)	1,006
2020				66,359	64,859	14,390	1,213
2021					100,172	48,988	1,265
Total					$ 276,118	$66,118	5,232
Cumulative net paid loss and LAE from the table below					(167,018)		
Net reserves for loss and LAE before 2017					101		
Total net reserves for loss and LAE					$ 109,201		

Short Tail/Monoline Specialty Cumulative Paid Losses and ALAE, Net of Reinsurance Years Ended December 31,					
	Supplemental and unaudited				
Accident Year	2017	2018	2019	2020	2021
2017	16,575	16,989	19,556	19,440	20,759
2018		24,754	31,907	31,323	33,522
2019			33,714	40,228	41,484
2020				30,974	56,499
2021					14,754
Total					$167,018

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Losses and Loss Adjustment Expenses (continued)

Exited Lines — all lines in runoff

Exited Lines Incurred Losses and LAE, Net of Reinsurance Years Ended December 31,											As of December 31, 2021	
	Supplemental and unaudited											
Accident Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	IBNR	Cumulative Number of Reported Claims
2012	$31,816	$25,101	$37,960	$44,957	$45,097	$44,213	$44,213	$46,528	$ 49,025	$ 50,159	$ 5,495	1,629
2013		44,791	37,993	44,909	46,437	48,372	48,372	49,850	49,486	53,236	1,299	2,624
2014			64,186	57,904	62,425	63,729	63,729	68,855	69,920	71,219	11,797	4,124
2015				61,810	65,063	68,008	70,803	75,187	80,678	83,365	2,257	4,535
2016					93,526	92,743	91,119	93,324	103,602	104,612	6,489	4,840
2017						75,919	80,341	82,545	95,119	97,011	29,002	4,281
2018							73,492	68,125	78,902	90,348	2,078	4,815
2019								87,115	90,598	92,118	1,064	5,489
2020									83,900	86,700	18,026	4,618
2021										49,957	35,451	1,992
Total										$ 778,725	112,958	38,947
Cumulative net paid loss and LAE from the table below										(589,463)		
Net reserves for loss and LAE before 2012										5,226		
Total net reserves for loss and LAE										$ 194,488		

Exited Lines Cumulative Paid Losses and ALAE, Net of Reinsurance Years Ended December 31,										
	Supplemental and unaudited									
Accident Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2012	12,927	23,293	31,636	37,736	40,850	43,303	44,797	45,789	45,938	45,968
2013		4,763	17,904	36,890	42,995	41,158	44,186	47,101	48,069	48,322
2014			9,700	30,863	42,141	50,785	49,906	52,450	53,290	53,615
2015				9,026	41,653	55,610	65,269	73,100	77,981	80,312
2016					36,592	57,638	70,253	78,070	81,516	85,794
2017						34,177	52,103	51,985	56,839	63,516
2018							25,552	60,149	67,262	80,448
2019								28,636	63,243	66,682
2020									24,468	54,950
2021										9,856
Total										$589,463

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Losses and Loss Adjustment Expenses (continued)

The table below presents the reconciliation of the net incurred and paid claims development to loss reserves in the consolidated balance sheets as of December 31, 2021 by sub-category is as follows (in thousands):

	2021
Net reserves for losses and LAE:	
Multi-line Solutions	$ 286,842
Short Tail/Monoline Specialty	109,201
Exited Lines	194,488
Reserves for losses and LAE, net of reinsurance	590,531
Reinsurance recoverable on unpaid claims:	
Multi-line Solutions	232,146
Short Tail/Monoline Specialty	121,717
Exited Lines	27,475
Total reinsurance recoverable on unpaid claims	381,338
Unallocated LAE	7,680
Gross reserves for losses and LAE at end of year	$ 979,549

The following table presents supplementary information about average historical claims duration as of December 31, 2021, by sub-category is as follows:

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance (unaudited required supplementary information)

Years	1	2	3	4	5	6	7	8	9	10 and older
Multi-line Solutions	25.8%	19.7%	14.9%	10.7%	8.1%	5.5%	4.0%	3.4%	3.6%	4.4%
Short Tail/Monoline Specialty	36.1%	51.4%	5.4%	2.4%	1.5%	0.9%	0.5%	0.3%	0.2%	1.3%
Exited Lines	27.4%	28.6%	12.3%	8.5%	6.5%	4.4%	3.2%	2.7%	2.9%	3.5%

16. Premiums

Direct and assumed premiums written by line of business pursuant to statutory guidelines for the years ended December 31, 2021 and 2020 are as follows:

	2021		2020	
Property	$ 235,686	25.1%	$ 163,025	18.7%
Commercial Auto Liability	227,853	24.2%	181,295	20.8%
General Liability	116,953	12.4%	110,962	12.7%
Group Accident & Health	112,146	11.9%	94,616	10.8%
Professional Liability	61,466	6.5%	48,298	5.5%
Excess Liability	52,176	5.6%	29,123	3.3%
Surety	51,792	5.6%	13,176	1.5%
Workers' Compensation	41,890	4.5%	198,793	22.8%
Commercial Auto Physical Damage	39,897	4.2%	34,325	3.9%
Total	$ 939,859	100.0%	$ 873,613	100.0%

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Premiums (continued)

For the years ended December 31, 2021 and 2020, our direct and assumed premiums written were produced from the following states:

	2021	2020
California	11.6%	8.1%
Louisiana	10.4	10.3
Texas	10.1	12.0
Florida	6.2	6.3
New York	6.0	6.4
Georgia	3.6	3.5
Pennsylvania	3.5	3.2
Illinois	3.3	3.8
Massachusetts	3.1	2.4
Ohio	2.8	1.7
All other states	39.4	42.3
Total	100.0%	100.0%

17. Commission and Fee Income

Commission and fee income is primarily generated from SUA for the placement of insurance policies on either a 3rd party insurance or reinsurance company. Our disaggregated revenues from contracts with customers for the years ended December 31, 2021 and 2020 are as follows (in thousands):

	2021	2020
SUA commission revenue	$ 2,037	$ 2,090
SUA fee income	1,185	2,067
Other	751	1,507
Total commission and fee income	$ 3,973	$ 5,664

Our contract assets from commission and fee income as of December 31, 2021 and 2020 are as follows (in thousands):

	2021	2020
Contract asset	$ 1,209	$ 1,097

18. Underwriting, Acquisition and Insurance Expenses

Underwriting, acquisition and insurance expense consists of the following for the years ended December 31, 2021 and 2020 (in thousands):

	2021	2020
Amortization of policy acquisition costs	$ 47,061	$ 36,971
Other operating and general expenses	91,437	82,847
Total underwriting, acquisition and insurance expenses	$ 138,498	$ 119,818

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. Reinsurance

Certain premiums and benefits are assumed from and ceded to other insurance companies under various reinsurance agreements. The reinsurance agreements provide us with increased capacity to write larger risks and maintain our exposure to loss within our capital resources. We remain obligated for amounts ceded in the event that the reinsurers do not meet their obligations.

The effects of reinsurance on premiums written and earned for the years ended December 31, 2021 and 2020 are as follows (in thousands):

	2021		2020	
	Written	Earned	Written	Earned
Direct premiums	$ 842,318	$ 816,837	$ 774,436	$ 775,666
Assumed premiums	97,541	102,352	99,177	96,765
Ceded premiums	(410,716)	(419,366)	(412,090)	(440,520)
Net premiums	$ 529,143	$ 499,823	$ 461,523	$ 431,911
Ceded losses and LAE incurred		$ 248,360		$ 335,503

Reinsurance recoverables on unpaid losses and loss adjustment expense reserves ceded at December 31, 2021 and 2020 were approximately $381.3 million and $375.2 million, respectively. Reinsurance recoverables on paid losses and loss adjustment expense ceded at December 31, 2021 and 2020 were approximately $90.8 million and $77.4 million, respectively. Reinsurance recoverables related to the LPT at December 31, 2021 and 2020 were approximately $64.2 million and $86.3 million, respectively. Ceded unearned premiums at December 31, 2021 and 2020 were approximately $138.0 million and $146.6 million, respectively.

We have entered into agreements with several of our reinsurers, whereby the reinsurer established funded trust accounts with the Company as the sole beneficiary. These trust accounts provide us additional security to collect claim recoverables under reinsurance contracts. At December 31, 2021, the market value of these accounts was approximately $131.2 million. The agreements provide that, as was customary in the past, the reinsurer will continue claim payment reimbursements without disturbing the trust balances. The trust amount will be adjusted periodically, by mutual agreement, based on loss reserve recoverables.

During the first quarter of 2020, we entered into a LPT retroactive reinsurance agreement. Under the LPT the Company received reinsurance protection of approximately $127.4 million above the ceded losses and LAE reserves and is subject to co-participations at specified amounts.

Subsequent to the first quarter of 2020 and during the year ended December 31, 2020, we recognized adverse development on reserves for certain divisions covered by the LPT of $49.0 million resulting in an increase in the amount ceded under this agreement. The increase in the amount ceded resulted in $32.7 million of recognized gain. During the year ended December 31, 2021 we recognized adverse development on reserves for certain divisions covered by the LPT of $28.0 million resulting in an increase in the amount ceded under this agreement. The increase in the amount ceded resulted in $11.9 million of recognized gain, representing the reversal of previously recognized loss on the LPT, and $2.1 million of deferred gain. The following table presents the impact of the LPT on the Consolidated Statements of Operations for the year ended December 31, 2021 and 2020 (in thousands):

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. Reinsurance (continued)

	2021	2020
Expense to enter the LPT	$ —	$ (43,476)
Strengthening of reserves	(28,000)	(49,013)
Reinsurance recoveries under the LPT	11,937	32,692
Pretax net impact of the LPT and strengthening of reserves subject to the LPT	$ (16,063)	$ (59,797)

Certain ceded reinsurance contracts that transfer only significant timing risk and do not transfer sufficient underwriting risk are accounted for using the deposit method of accounting. Our deposit asset as of December 31, 2021 and 2020 was approximately $45.0 million and $38.9 million, respectively, which was included in other assets on the balance sheet.

20. Stock Based Compensation

The Legacy Programs were active during the years ended December 31, 2021 and 2020 and allow key employees to purchase our common stock at a price based on fair value of the Company at the end of the quarter in which the employee commits to the purchase. We then match all purchases with stock grants. The programs require an initial cash payment of at least 30% of the committed fair value of the purchase with any remaining commitment recorded as a note receivable to the Company which is included in Stockholders' Equity. Grants awarded vest after two conditions are met (i) the employee has worked for us for three years after the grant and (ii) cash payments are made for stock purchases. All grants awarded under the Legacy Programs vest over a three-year service period and are expensed on a pro rata basis over the service period.

Under the Legacy Programs, we sold 63,374 shares and 7,717 shares of our common stock during the years ended December 31, 2021 and 2020, respectively. In accordance with the plan, we granted a match of 63,374 shares and 7,717 shares of our common stock during the years ended December 31, 2021 and 2020, respectively.

Under the Legacy Programs, the Company offers employees the option to finance up to 70% of the purchased shares with a stock note receivable. These stock notes receivables are recorded as a reduction to Stockholders' Equity. At December 31, 2021 and 2020 stock notes receivable related to these programs totaled $1.6 million and $2.5 million, respectively. The stock notes receivable bear interest at a rate ranging from 0.95% to 2.80%, based on the Internal Revenue Service applicable federal rates.

During the year ended December 31, 2021, several employees who previously received common stock awards under the Legacy Programs notified the Company that they would not be repaying the remaining balance on their stock notes receivable. Under the terms of the Legacy Programs, the employees would return their common shares financed by the remaining stock note balance and forfeit the same number of award shares. During the year ended December 31, 2021, 21,314 common shares financed and awarded were returned and forfeited. The return of the 10,657 financed shares resulted in the cancellation of $0.8 million in stock notes for the year ended December 31, 2021. Forfeitures of the 10,657 award shares resulted in the reversal of previously recognized stock compensation expense of $0.8 million for the year ended December 31, 2021.

During the year ended December 31, 2021, the Compensation Committee approved 217,395 shares of common stock valued at approximately $2.6 million worth of shares for grant or award, based on the grant date fair value, under the 2020 Plan discussed within Note 2. Awards with a market or performance condition will be issued in shares at the end of the requisite service period in an amount that varies based on satisfaction of market or performance condition targets during the requisite service period. A summary of the equity awards, target payout ranges based on meeting award conditions and authorized target common shares is as follows:

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. Stock Based Compensation (continued)

Award type	Award Target Payout Range	Requisite Service Period	Authorized Target Common Shares
Market condition awards	0% – 150%	3 years	46,474
Performance condition awards	0% – 150%	3 years	29,501
Restricted stock units	N/A	3 years	141,420
			217,395

During the year ended December 31, 2021, members of the Board of Directors were awarded 51,889 common shares under the Legacy Programs with a service period of between 0 to 3 years. A summary of the status of our non-vested common stock awards from the Legacy Programs and the 2020 Plan as of and for the year ended December 31, 2021 and 2020, is presented below:

	Weighted-average Grant-date Fair Value	Number of Common Shares
Non-vested at January 1, 2020	$ 20.12	132,563
Granted	12.96	7,717
Vested	17.79	(3,867)
Forfeited	20.29	(51,742)
Non-vested at December 31, 2020	19.47	84,671
Granted	11.95	332,658
Vested	14.20	(6,514)
Forfeited	16.01	(35,172)
Non-vested at December 31, 2021	$ 13.23	375,643

As of December 31, 2021 the total unrecognized compensation cost related to non-vested, share-based compensation awards was $2.5 million and the weighted average period over which that cost is expected to be recognized is 1.9 years.

Stock-based compensation expense (income) for the years ended December 31, 2021 and 2020 is summarized as follows (in thousands):

	2021	2020
Stock-based compensation expense (income)		
Stock-based compensation expense	$ 1,365	$ 72
Forfeitures	(843)	(97)
Total	$ 522	$ (25)

21. Earnings (Loss) Per Share

The following table presents a reconciliation of the numerator and denominator of the basic and diluted earnings (loss) per share computations contained in the year-ended consolidated financial statements in thousands, except for share and per share amounts.

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21. Earnings (Loss) Per Share (continued)

	2021	2020
Numerator		
Net income (loss)	$ 38,317	$ (74,642)
Less: undistributed (income) loss allocated to participating Securities	(18,507)	—
Net income (loss) attributable to common shareholders (numerator for basic earnings per share)	19,810	(74,642)
Add back: undistributed income (loss) allocated to participating securities	18,507	—
Net income (loss) (numerator for diluted earnings per share under the two class method)	$ 38,317	$ (74,642)
Denominator		
Basic weighted-average common shares	16,308,712	16,213,953
Preferred shares (if converted method)	15,235,568	—
Contingently issuable instruments (treasury stock method)	723,146	—
Market condition awards (contingently issuable)	67,598	—
Restricted stock units (treasury stock method)	133,024	—
Diluted weighted-average common share equivalents	32,468,048	16,213,953
Basic earnings (loss) per share	$ 1.21	$ (4.60)
Diluted earnings (loss) per share	$ 1.18	$ (4.60)

Our Preferred Shares participate in dividends and distributions with common stock on an as-converted basis and represent a participating security. The Preferred Shares did not have a contractual obligation to absorb losses during the year ended December 31, 2020 and were not allocated losses for that period.

Anti-dilutive instruments are excluded from the calculation of diluted weighted-average common share equivalents as they would have an anti-dilutive impact. The following table presents instruments that were excluded from the calculation of diluted weighted-average common share equivalents for the period ended December 31, 2021 and 2020, in shares.

	2021	2020
Unvested common shares	—	3
Preferred Shares, if converted	—	10,388,590
Total	—	10,388,593

Our Common and Preferred Shares financed by stock notes are contingently issuable instruments where the holder must return, all or part of, if the stock notes are not paid off. The following table presents common share equivalents of contingently issuable instruments that were excluded from basic and diluted earnings (loss) per share for the period ended December 31, 2021 and 2020, in shares.

	2021	2020
Common shares	—	253,258
Preferred Shares, if converted	—	1,384,965
Total	—	1,638,223

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

22. Employee Benefit Plans

We sponsor the SSIG 401(k) Plan (the "Plan"). The Plan, available to substantially all of our employees, is subject to provisions of the Employee Retirement Income Security Act of 1974. We match employee contributions on a discretionary basis. We expensed $2.3 million and $1.3 million of matching contributions during the year ended December 31, 2021 and 2020, respectively.

23. Related Party Transactions

Westaim

In 2014 and continuing through 2015, Westaim HIIG LP acquired a majority of our common stock. As of December 31, 2021 and 2020, Westaim HIIG LP owns 71.0% and 71.6% of our common stock, respectively. The changes in Westaim HIIG LP's ownership percentage were due to transactions related to our stock-based compensation programs.

In 2015, we purchased 3,076,924 shares of Westaim common stock for $8.4 million. Our investment in Westaim is included in equity securities in the consolidated balance sheet as of December 31, 2021 and 2020. The unrealized loss on this investment is $2.0 million as of December 31, 2021 and 2020.

On April 24, 2020, Westaim HIIG LP affiliates participated in our preferred share rights offering and purchased $68.6 million of Preferred Shares in exchange for $68.1 million of cash and $0.5 million of stock notes. Within this group, Westaim purchased $44.0 million of Preferred Shares in exchange for $44.0 million of cash. As of December 31, 2021 and 2020, Westaim owns 44.7% and 44.5% of our preferred stock, respectively.

Westaim performs consulting and certain other services for us pursuant to an agreement (the "Management Services Agreement"). Pursuant to the Management Services Agreement, we are required to pay Westaim $0.5 million a year plus expenses. The agreement will be effective until the termination date. The termination date is the earliest of (a) the date on which Westaim HIIG LP owns less than 8% of the number of shares outstanding, (b) the date on which the Company's initial public offering is consummated, or (c) the date upon which a change in control occurs. Pursuant to the current Management Services Agreement, we incurred expenses approximately $0.5 million and $1.5 million for the year ended December 31, 2021 and 2020, respectively, related to services provided by Westaim.

RISCOM

During 2016, we entered into an agency agreement with RISCOM, in which we hold a 20% ownership interest, for wholesale brokerage services in addition to the already existing managing general agency agreement between the parties. Net earned premium and gross commission expense related to these agreements for the years ended December 31, 2021 and 2020 is summarized as follows (in thousands):

	2021	2020
Net earned premium	$ 76,701	$ 66,971
Gross commission expense	21,256	19,788

Premiums receivable as of December 31, 2021 and 2020 is as follows (in thousands):

	2021	2020
Premiums receivable	$ 11,334	$ 12,516

Reinsurance

We have reinsurance agreements with Everest Re, an affiliate of Mt. Whitney Securities, LLC, a limited partner of Westaim HIIG LP. We recorded $101.2 million and $101.0 million of reinsurance premiums ceded

23. Related Party Transactions (continued)

during the years ended December 31, 2021 and 2020, respectively, related to the agreement. Reinsurance recoverable from Everest Re, net of premium payables, was $168.8 million and $162.4 million, respectively, as of December 31, 2021 and 2020.

Arena

During the second quarter of 2021, we began investing in an asset-backed securities investment account managed by Arena. The asset-backed securities are within fixed maturity securities, available for sale on the consolidated balance sheet. As of December 31, 2021 we have an unfunded commitment of $2.6 million.

Other

During the years ended December 31, 2021 and 2020, we paid approximately $3.7 million and $1.7 million, respectively, of advisory and professional services fees and expense reimbursements to various affiliated shareholders and directors.

During the years ended December 31, 2021 and 2020, we paid approximately $0.0 million and $0.3 million, respectively, of travel costs to companies owned by an affiliated shareholder, member of management and director of the Company.

On April 24, 2020, an affiliated shareholder, member of management and director of the Company, along with his immediate family, purchased approximately $10.6 million of Preferred Shares in exchange for $4.5 million in cash and $6.1 million in stock notes. Another affiliated shareholder and director of the Company purchased approximately $13.1 million of Preferred Shares in exchange for $13.1 million in cash.

On April 24, 2020, a director of the Company, through his held companies, purchased approximately $15.5 million of Preferred Shares in exchange for $15.5 million in cash.

On April 24, 2020, a director of the Company purchased approximately $0.3 million of Preferred Shares in exchange for $0.3 million in cash.

See Note 7, 8 and 9 for investments involving affiliated companies and additional related party transactions.

See Note 14 for related party transactions related to our preferred share rights offering.

24. Commitments and Contingencies

Litigation

We are named as a defendant in various legal actions arising from claims made under insurance policies and contracts. Those actions are considered by us in estimating the losses and loss adjustment expense reserves. Also, from time to time, we are a defendant in various legal actions that relate to bad faith claims, disputes with third parties or that involve alleged errors and omissions. We record accruals for these items to the extent the losses are probable and reasonably estimable. Although the ultimate outcome of these matters cannot be determined at this time, based on present information, the availability of insurance coverage and advice received from outside legal counsel, our management believes the resolution of any such matters will not, individually or in the aggregate, have a material adverse effect on our Consolidated Balance Sheets, Consolidated Statements of Operations or Consolidated Statements of Cash Flows. During the years ended December 31, 2021 and 2020, we recorded no provision for various contingencies.

During the year ended December 31, 2020, we recorded $4.5 million of income related to the settlement of previous contingencies paid and recorded by the Company. This recovery was included in other operating expenses for the year ended December 31, 2020 and collected in the first quarter of 2021.

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24. Commitments and Contingencies (continued)

COVID-19

During the first quarter of 2020, the onset of COVID-19 resulted in various emergency restrictions instituted by various state and local governments in the United States. These restrictions have caused considerable economic disruption and may have a significant impact on our policyholders.

We assessed our insurance policies and we believe we do not have material claim exposure to the impacts of COVID-19. Many of our property policies provide business interruption coverage and require physical damage to trigger a loss. Many of these policies also have a virus exclusion.

In anticipation of the impacts of COVID-19 on our business, we believed we would incur additional legal and claims defense costs and increased credit risk from our policyholders and reinsurers. As of December 31, 2021 and 2020 we believe we have appropriately accrued for these additional legal and claims defense costs of approximately $0.0 million and $2.0 million within losses and LAE reserves, respectively. As of December 31, 2021 and 2020 we believe our allowance for uncollectible receivables on our premiums receivable and reinsurance recoverables appropriately reflects the increased credit risk.

Indemnification

In conjunction with the sale of business assets and subsidiaries, we have provided indemnifications to certain of the buyers. Certain indemnifications cover typical representations and warranties related to the responsibilities to perform under the sales contracts. The amount of potential exposure covered by the indemnifications is difficult to determine because the indemnifications cover a variety of matters, operations and scenarios. Certain of these indemnifications have no time limit. At this time, we do not have reason to believe any such significant claims exist.

Contingent Consideration Related to Acquisitions

We potentially owe earn-out liabilities to former owners of assets and business acquired. Included in accounts payable and accrued liabilities are $0.0 million and $0.5 million of earn-out liabilities as of December 31, 2021 and 2020, respectively. We made a $0.6 million earn-out payment during the year ended December 31, 2021.

Guarantee as part of the Sale of Boston Indemnity Company

In conjunction with the sale of Boston Indemnity Company on October 4, 2021, the Company guaranteed the obligations of GMIC under the sale agreement and the reinsurance agreement of the business ceded to GMIC by BIC.

25. Regulatory Matters

A significant amount of the consolidated assets represent assets of our insurance company subsidiaries, HSIC, IIC, GMIC and OSIC. IIC, OSIC and GMIC are all direct and indirect wholly-owned subsidiaries of HSIC. HSIC is restricted by Texas law as to the amount of dividends it may pay without the approval of regulatory authorities. The maximum amount of dividends which can be paid by HSIC without prior approval is subject to restrictions relating to policyholder surplus, net income, and dividends declared or distributed during the preceding 12 months. As of December 31, 2021, HSIC cannot pay ordinary dividends. HSIC did not declare or pay any dividends during the years ended December 31, 2021 and 2020.

Property and casualty insurance companies are subject to certain Risk Based Capital (“RBC”) requirements as specified by the National Association of Insurance Commissioners (“NAIC”). Under those requirements, the amount of capital and surplus maintained by a property and casualty insurance company is

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

25. Regulatory Matters (continued)

to be determined based on the various risk factors related to it. At December 31, 2021 and 2020, our insurance company subsidiaries met the RBC requirements.

The capital and surplus and RBC level of HSIC on a consolidated statutory basis (including IIC, GMIC OSIC, and BIC) as of and for the years ended December 31, 2021 and 2020 were as follows (in thousands):

	2021	2020
Statutory capital and surplus	$ 369,583	$ 342,256
RBC authorized control level	84,968	67,838

26. Statutory Accounting Principles

The statutory capital and surplus for our principal operating subsidiaries at December 31, 2021 and 2020 were as follows (in thousands):

	2021	2020
HSIC	$ 369,583	$ 342,256
IIC	215,508	149,623
GMIC	209,347	144,280
BIC	—	26,058
OSIC	21,095	21,063

These amounts include ownership interests in affiliated insurance subsidiaries. The statutory net income (loss) for our principal operating subsidiaries for the years ended December 31, 2021 and 2020 was as follows (in thousands):

	2021	2020
HSIC	$ 5,880	$ (4,044)
IIC	7,315	(21,038)
GMIC	(947)	(17,526)
BIC	(67)	(38)
OSIC	31	143

See note 4 for the sale of BIC. Statutory net loss amount reflects nine months ended September 30, 2021.

27. Subsequent Events

We have evaluated subsequent events through April 19, 2022, the date financial statements were available to be issued, and through , 2022 as it relates to the reverse stock split and stock based compensation awards.

Reverse Stock Split

On September 23, 2022, our Board of Directors approved a 4-for-1 reverse stock split of our common stock. The stock split became effective , 2022. All share and per share information included in the accompanying consolidated financial statements and notes to the consolidated financial statements have been retroactively adjusted to reflect the stock split of the Company's common stock for all periods presented.

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

27. Subsequent Events (continued)

Stock Based Compensation Awards

On September 23, 2022, our Board of Directors approved our 2022 Long-Term Incentive Plan (the "2022 Plan"), which will become effective upon the date immediately preceding the date upon which the Registration Statement of which this prospectus forms a part is declared effective by the SEC. Shares equal to 8.5% of our issued and outstanding common stock immediately following the completion of this offering will be reserved for issuance under the 2022 Plan.

On September 23, 2022, our Board of Directors approved our 2022 Employee Stock Purchase Plan (the "ESPP"), which will become effective upon the date immediately preceding the date upon which the Registration Statement of which this prospectus forms a part is declared effective by the SEC. Shares equal to 1.0% of our issued and outstanding common stock immediately following the completion of this offering will be available for sale under the ESPP.

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES
SCHEDULE I — SUMMARY OF INVESTMENTS — OTHER THAN IN RELATED PARTIES
DECEMBER 31, 2021
(In Thousands)

	Cost	Fair Value	Amount on Balance Sheet
December 31, 2021			
Fixed maturity securities, available for sale:			
U.S. government securities	$ 48,816	$ 49,263	$ 49,263
Corporate securities and miscellaneous	151,053	154,163	154,163
Municipal securities	53,179	56,942	56,942
Residential mortgage-backed securities	103,758	103,735	103,735
Commercial mortgage-backed securities	14,634	14,484	14,484
Asset-backed securities	81,038	79,764	79,764
Total fixed maturity securities, available for sale	452,478	458,351	458,351
Fixed maturity securities, held to maturity:			
Asset-backed securities	47,117	47,117	47,117
Total fixed maturity securities, held to maturity	47,117	47,117	47,117
Equity securities:			
Common stocks	47,379	58,425	58,425
Preferred stocks	17,821	18,166	18,166
Mutual funds	33,786	41,380	41,380
Total equity securities	98,986	117,971	117,971
Mortgage loans	29,447	29,264	29,531
Short-term investments	164,278	164,278	164,278
Total investments	$ 792,306	$ 816,981	$ 817,248

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES
SCHEDULE II — CONDENSED FINANCIAL INFORMATION OF REGISTRANT
BALANCE SHEETS (PARENT COMPANY)
DECEMBER 31, 2021 AND 2020
(In Thousands)

	2021	2020
Assets		
Investments:		
Investment in subsidiaries	$ 517,326	$ 478,426
Short-term investments, at fair value	25	25
Total investments	517,351	478,451
Cash and cash equivalents	5,849	12,604
Restricted cash	156	151
Deferred income taxes	15,182	13,314
Goodwill and intangible assets, net	12,641	12,641
Other assets	4,218	5,559
Total assets	$ 555,397	$ 522,720
Liabilities, Temporary Equity and Stockholders' Equity		
Liabilities:		
Accounts payable and accrued liabilities	$ 788	$ 747
Notes payable	50,000	50,000
Subordinated debt, net of debt issuance costs	78,529	78,448
Total liabilities	129,317	129,195
Temporary Equity:		
Temporary equity	—	90,303
Stockholders' Equity:		
Stockholders' equity	426,080	303,222
Total liabilities, temporary equity and stockholders' equity	$ 555,397	$ 522,720

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES
SCHEDULE II — CONDENSED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS) (PARENT COMPANY)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands)

	2021	2020
Revenues:		
Commission and fee income	$ —	$ 625
Net investment income	2,383	1,469
Realized investment losses	—	(315)
Total revenues	2,383	1,779
Expenses		
Operating expenses	—	3,149
Interest expense	4,621	5,531
Amortization expense	81	81
Total expenses	4,702	8,761
Loss before income tax expense	(2,319)	(6,982)
Income tax (benefit) expense	(487)	3,017
Net loss before equity in earnings of subsidiaries	(1,832)	(9,999)
Equity in undistributed earnings of subsidiaries	40,149	(64,643)
Net income (loss)	$ 38,317	$ (74,642)

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES
SCHEDULE II — CONDENSED STATEMENTS OF CASH FLOWS (PARENT COMPANY)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands)

	2021	2020
Cash flows from operating activities:		
Net income (loss)	$ 38,317	$ (74,642)
Adjustments to reconcile net income to net cash provided by (used in) operating activities	(40,447)	73,531
Net cash provided by operating activities	(2,130)	(1,111)
Cash flows from investing activities:		
Capital contribution to subsidiaries	(10,000)	(50,600)
Distributions from investment in subsidiaries	4,000	4,000
Other, net	—	1
Net cash (used in) provided by investing activities	(6,000)	(46,599)
Cash flows from financing activities:		
Employee share purchases	1,380	255
Issuance of preferred shares	—	90,413
Repayments of notes payable	—	(33,827)
Repurchase of common stock	—	(540)
Net cash provided by financing activities	1,380	56,301
Net (decrease) increase in cash and cash equivalents and restricted cash	(6,750)	8,591
Cash and cash equivalents and restricted cash at beginning of year	12,755	4,164
Cash and cash equivalents and restricted cash at end of year	$ 6,005	$ 12,755
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 4,669	$ 5,530

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES
SCHEDULE IV — REINSURANCE
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands)

	2021		2020	
	Accident & Health	Property & Casualty	Accident & Health	Property & Casualty
Gross amount	$ 111,759	$ 730,559	$ 94,616	$ 679,820
Ceded to other companies	(68,350)	(342,366)	(57,364)	(354,726)
Assumed from other companies	387	97,154	—	99,177
Net amount	$ 43,796	$ 485,347	$ 37,252	$ 424,271
Percentage of amount assumed to net	0.9%	20.0%	0.0%	23.4%

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES
SCHEDULE V — VALUATION AND QUALIFYING ACCOUNTS
DECEMBER 31, 2021 AND 2020
(In Thousands)

	Valuation Allowance For Deferred Tax Assets	Allowance for Uncollectable Reinsurance Recoverable	Allowance for Uncollectable Premiums Receivable
Balance at January 1, 2020	$ 586	$ —	$ 1,076
Charged to costs and expenses	—	—	781
Amounts written off	—	—	(711)
Balance at December 31, 2020	586	—	1,146
Charged to costs and expenses	—	—	18
Amounts written off	—	—	(903)
Balance at December 31, 2021	$ 586	$ —	$ 261

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES
SCHEDULE VI — SUPPLEMENTAL INFORMATION CONCERNING PROPERTY — CASUALTY INSURANCE OPERATIONS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands)

	2021	2020
Deferred policy acquisition costs	$ 59,456	$ 53,519
Reserve for losses and loss adjustment expenses	979,549	856,780
Unearned premiums	363,288	342,619
Net earned premium[(1)]	499,823	431,911
Net investment income	24,646	14,130
Losses and loss adjustment expenses (current year)[(1)]	338,348	301,845
Losses and loss adjustment expenses (prior years)[(1)(2)]	28,000	49,553
Amortization of policy acquisition costs[(1)]	47,061	36,971
Paid claims and claim adjustment expenses[(1)]	249,739	220,480
Net premiums written[(1)]	529,143	461,523
Ceded unearned premium	137,973	146,624
Deferred ceding commission	30,500	35,757

(1) Amount is presented net of reinsurance

(2) Amount does not include gain or loss on retroactive reinsurance which is included in losses and loss

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except for share and per share amounts)	September 30, 2022 (Unaudited)	December 31, 2021
Assets		
Investments:		
Fixed maturity securities, available for sale, at fair value (amortized cost of $618,656 and $452,478, respectively)	$ 562,573	$ 458,351
Fixed maturity securities, held to maturity, at amortized cost	51,857	47,117
Equity securities, at fair value	109,640	117,971
Mortgage loans	52,072	29,531
Other long-term investments	136,828	132,111
Short-term investments, at fair value	104,915	164,278
Total investments	1,017,885	949,359
Cash and cash equivalents	30,727	42,107
Restricted cash	75,359	65,167
Premiums receivable, net of allowance	160,491	112,158
Reinsurance recoverables	542,895	536,327
Ceded unearned premium	189,241	137,973
Deferred policy acquisition costs	73,888	59,456
Deferred income taxes	41,891	33,663
Goodwill and intangible assets, net	90,237	91,336
Other assets	85,792	90,666
Total assets	$2,308,406	$2,118,212
Liabilities and stockholders' equity		
Liabilities:		
Losses and loss adjustment expenses ("LAE")	$1,062,000	$ 979,549
Unearned premiums	464,291	363,288
Deferred ceding commission	34,931	30,500
Reinsurance and premium payables	135,056	119,919
Funds held for others	34,164	29,587
Accounts payable and accrued liabilities	49,558	40,760
Notes payable	50,000	50,000
Subordinated debt, net of debt issuance costs	78,589	78,529
Total liabilities	1,908,589	1,692,132
Stockholders' equity		
Series A preferred stock, $0.01 par value; 2,000,000 shares authorized, 1,969,660 and 1,970,124 shares issued and outstanding, respectively	20	20
Common stock, $0.01 par value, 168,000,000 shares authorized, 16,778,263 and 16,763,069 shares issued, respectively	168	168
Treasury stock, $0.01 par value, 233,289 and 229,449 shares, respectively	(2)	(2)
Additional paid-in capital	576,685	575,159
Stock notes receivable	(6,912)	(9,092)
Accumulated other comprehensive (loss) income	(44,306)	4,640
Accumulated deficit	(125,836)	(144,813)
Total stockholders' equity	399,817	426,080
Total liabilities and stockholders' equity	$2,308,406	$2,118,212

The accompanying notes are an integral part of the consolidated financial statements.

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME (UNAUDITED)

(In thousands, except for share and per share amounts)	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Revenues:				
Net earned premiums	$ 158,048	$ 130,012	$ 445,851	$ 366,052
Commission and fee income	1,362	963	3,652	2,664
Net investment income	5,988	8,105	31,667	20,616
Net investment (losses) gains	(7,305)	(1,217)	(26,117)	10,021
Net realized gain on sale of business	—	—	—	3,453
Other income	—	—	—	107
Total revenues	158,093	137,863	455,053	402,913
Expenses:				
Losses and loss adjustment expenses	111,746	89,713	293,536	249,828
Underwriting, acquisition and insurance expenses	47,340	34,054	132,258	98,993
Impairment charges	—	—	—	2,821
Interest expense	1,738	1,155	4,280	3,465
Amortization expense	387	391	1,160	1,133
Total expenses	161,211	125,313	431,234	356,240
(Loss) income before income taxes	(3,118)	12,550	23,819	46,673
Income tax (benefit) expense	(719)	2,588	4,842	9,671
Net (loss) income	(2,399)	9,962	18,977	37,002
Net income attributable to participating securities	—	4,808	9,124	17,885
Net (loss) income attributable to common shareholders	$ (2,399)	$ 5,154	$ 9,853	$ 19,117
Comprehensive (loss) income:				
Net (loss) income	$ (2,399)	$ 9,962	$ 18,977	$ 37,002
Other comprehensive loss:				
Unrealized gains and losses on investments:				
Net change in unrealized losses on investments, net of tax	(17,806)	(1,648)	(49,308)	(4,721)
Reclassification adjustment for gains on securities no longer held, net of tax	31	186	362	413
Total other comprehensive loss	(17,775)	(1,462)	(48,946)	(4,308)
Comprehensive (loss) income	$ (20,174)	$ 8,500	$ (29,969)	$ 32,694
Per share data:				
Basic (loss) earnings per share	$ (0.15)	$ 0.32	$ 0.60	$ 1.17
Diluted (loss) earnings per share	$ (0.15)	$ 0.31	$ 0.58	$ 1.14
Weighted-average common shares outstanding				
Basic	16,465,588	16,341,010	16,464,313	16,297,668
Diluted	16,465,588	32,466,335	32,598,669	32,379,830

The accompanying notes are an integral part of the consolidated financial statements.

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

(In thousands)	Preferred Stock	Common Stock	Treasury Stock	Additional Paid-in Capital	Stock Notes Receivable	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total
Balance at December 31, 2021	$20	$168	$ (2)	$575,159	$(9,092)	$ 4,640	$(144,813)	$426,080
Employee equity transactions	—	—	—	502	188	—	—	690
Reclassification of stock notes receivable to other assets	—	—	—	—	1,942	—	—	1,942
Net income	—	—	—	—	—	—	16,311	16,311
Other comprehensive loss, net of tax	—	—	—	—	—	(16,404)	—	(16,404)
Balance at March 31, 2022	$20	$168	$ (2)	$575,661	$(6,962)	$(11,764)	$(128,502)	$428,619
Employee equity transactions	—	—	—	670	20	—	—	690
Net income	—	—	—	—	—	—	5,065	5,065
Other comprehensive loss, net of tax	—	—	—	—	—	(14,767)	—	(14,767)
Balance at June 30, 2022	$20	$168	$ (2)	$576,331	$(6,942)	$(26,531)	$(123,437)	$419,607
Employee equity transactions	—	—	—	354	30	—	—	384
Net loss	—	—	—	—	—	—	(2,399)	(2,399)
Other comprehensive loss, net of tax	—	—	—	—	—	(17,775)	—	(17,775)
Balance at September 30, 2022	$20	$168	$ (2)	$576,685	$(6,912)	$(44,306)	$(125,836)	$399,817

The accompanying notes are an integral part of the consolidated financial statements.

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

(In thousands)	Common Stock	Treasury Stock	Additional Paid-in Capital	Stock Notes Receivable	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total
Balance at December 31, 2020	$ 168	$ (4)	$476,482	$(2,510)	$ 12,216	$(183,130)	$303,222
Employee equity transactions	—	2	385	344	—	—	731
Net income	—	—	—	—	—	14,920	14,920
Other comprehensive loss, net of tax	—	—	—	—	(4,408)	—	(4,408)
Balance at March 31, 2021	$ 168	$ (2)	$476,867	$(2,166)	$ 7,808	$(168,210)	$314,465
Employee equity transactions	—	—	408	—	—	—	408
Net income	—	—	—	—	—	12,120	12,120
Other comprehensive income, net of tax	—	—	—	—	1,562	—	1,562
Balance at June 30, 2021	$ 168	$ (2)	$477,275	$(2,166)	$ 9,370	$(156,090)	$328,555
Employee equity transactions	—	—	271	45	—	—	316
Net income	—	—	—	—	—	9,962	9,962
Other comprehensive loss, net of tax	—	—	—	—	(1,462)	—	(1,462)
Balance at September 30, 2021	$ 168	$ (2)	$477,546	$(2,121)	$ 7,908	$(146,128)	$337,371

The accompanying notes are an integral part of the consolidated financial statements.

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)	Nine months ended September 30, 2022	2021
Cash flows from operating activities		
Net income	$ 18,977	$ 37,002
Adjustments to reconcile net income to net cash provided by operating activities	105,936	100,242
Net cash provided by operating activities	124,913	137,244
Cash flows from investing activities:		
Purchase of fixed maturity securities, available-for-sale	(211,097)	(219,340)
Purchase of illiquid investments	(4,431)	(23,783)
Purchase of equity securities	(49,018)	(51,328)
Purchase of business	—	(10,554)
(Investment in) proceeds from direct and indirect loans	(13,134)	2,864
Purchase of property and equipment	(834)	(1,942)
Sales and maturities of investment securities	76,765	94,315
Distributions from equity method investments	2,052	1,187
Change in short-term investments	59,363	52,132
Receivable for securities sold	3,273	1,812
Cash provided by (used in) deposit accounting	8,780	(6,133)
Other, net	—	45
Net cash used in investment activities	(128,281)	(160,725)
Cash flows from financing activities:		
Employee share purchases	2,180	1,380
Net cash provided by financing activities	2,180	1,380
Net decrease in cash and cash equivalents and restricted cash	(1,188)	(22,101)
Cash and cash equivalents and restricted cash at beginning of period	107,274	113,623
Cash and cash equivalents and restricted cash at end of period	$ 106,086	$ 91,522
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 3,860	$ 4,669

The accompanying notes are an integral part of the consolidated financial statements.

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Basis of Presentation

The unaudited condensed consolidated financial statements of Skyward Specialty Insurance Group, Inc. (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Certain information and footnote disclosures normally included in the unaudited consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted in these financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2021. The Company has made all adjustments necessary for a fair statement of the condensed consolidated financial statements as of September 30, 2022 and December 31, 2021 and for the three and nine months ended September 30, 2022 and 2021. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from these estimates.

Reclassifications

Certain 2021 amounts have been reclassified to conform to the 2022 presentation. Such reclassifications had no effect on the Company's Consolidated Condensed Balance Sheets, Consolidated Condensed Statements of Operations and Comprehensive Income (Loss), Consolidated Statements of Changes in Stockholders' Equity, or Consolidated Condensed Statements of Cash Flows.

2. Investments

The amortized cost and the fair value of our investments as of September 30, 2022 and December 31, 2021 are summarized as follows:

(In thousands)	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Loss	Fair Value
September 30, 2022				
Fixed maturity securities, available-for-sale:				
U.S. government securities	$ 44,593	$ 241	$ (1,576)	$ 43,258
Corporate securities and miscellaneous	239,869	162	(21,795)	218,236
Municipal securities	67,390	9	(7,997)	59,402
Residential mortgage-backed securities	120,518	—	(16,123)	104,395
Commercial mortgage-backed securities	38,912	—	(3,318)	35,594
Asset-backed securities	107,374	8	(5,694)	101,688
Total fixed maturity securities, available-for-sale	$618,656	$ 420	$(56,503)	$562,573
Fixed maturity securities, held-to-maturity:				
Asset-backed securities	$ 51,857	$ —	$ (4,561)	$ 47,296
Total fixed maturity securities, held-to-maturity	$ 51,857	$ —	$ (4,561)	$ 47,296

2. Investments (continued)

(In thousands)	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Loss	Fair Value
Equity securities:				
Common stocks	$ 51,172	$5,693	$ (6,593)	$ 50,272
Preferred stocks	11,768	42	(2,376)	9,434
Mutual funds	53,898	871	(4,835)	49,934
Total equity securities	$116,838	$6,606	$(13,804)	$109,640

(In thousands)	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Loss	Fair Value
December 31, 2021				
Fixed maturity securities, available-for-sale:				
U.S. government securities	$ 48,816	$ 716	$ (269)	$ 49,263
Corporate securities and miscellaneous	151,053	3,698	(588)	154,163
Municipal securities	53,179	3,799	(36)	56,942
Residential mortgage-backed securities	103,758	1,232	(1,255)	103,735
Commercial mortgage-backed securities	14,634	38	(188)	14,484
Asset-backed securities	81,038	226	(1,500)	79,764
Total fixed maturity securities, available-for-sale	$452,478	$ 9,709	$(3,836)	$458,351
Fixed maturity securities, held-to-maturity:				
Asset-backed securities	$ 47,117	$ —	$ —	$ 47,117
Total fixed maturity securities, held-to-maturity	$ 47,117	$ —	$ —	$ 47,117
Equity securities:				
Common stocks	$ 47,379	$13,887	$(2,841)	$ 58,425
Preferred stocks	17,821	349	(4)	18,166
Mutual funds	33,786	7,611	(17)	41,380
Total equity securities	$ 98,986	$21,847	$(2,862)	$117,971

The amortized cost and estimated fair value of fixed maturity securities, available for sale, at September 30, 2022 by contractual maturity are shown below (in thousands). Expected maturities may differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Also, changing interest rates, tax considerations or other factors may result in portfolio sales prior to maturity.

	September 30, 2022	
(In thousands)	Amortized Cost	Fair Value
Due in less than one year	$ 17,260	$ 17,164
Due after one year through five years	186,306	174,115
Due after five years through ten years	99,243	86,477
Due after ten years	49,043	43,140
Mortgage-backed securities	159,430	139,989
Asset-backed securities	107,374	101,688
Total	$618,656	$562,573

2. Investments (continued)

The Company's fixed maturity securities, held to maturity, at September 30, 2022 consist entirely of asset backed securities that are not due at a single maturity date.

The following tables summarize gross unrealized losses and the corresponding fair values of investments, aggregated by length of time that individual securities have been in a continuous unrealized loss position as of September 30, 2022 and December 31, 2021.

	Less than 12 Months		12 Months or More		Total	
(In thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
September 30, 2022						
Fixed maturity securities, available-for-sale:						
U.S. government securities	$ 16,271	$ (224)	$18,552	$ (1,352)	$ 34,823	$ (1,576)
Corporate securities and miscellaneous	197,717	(19,370)	16,962	(2,425)	214,679	(21,795)
Municipal securities	58,689	(7,869)	496	(128)	59,185	(7,997)
Residential mortgage-backed securities	71,084	(8,938)	32,630	(7,185)	103,714	(16,123)
Commercial mortgage-backed securities	29,688	(1,948)	5,732	(1,370)	35,420	(3,318)
Asset-backed securities	66,764	(4,652)	13,164	(1,042)	79,928	(5,694)
Total fixed maturity securities, available-for-sale	440,213	(43,001)	87,536	(13,502)	527,749	(56,503)
Fixed maturity securities, held-to-maturity:						
Asset-backed securities	47,296	(4,561)	—	—	47,296	(4,561)
Total fixed maturity securities, held-to-maturity	47,296	(4,561)	—	—	47,296	(4,561)
Equity securities:						
Common stocks	16,449	(4,640)	6,554	(1,953)	23,003	(6,593)
Preferred stocks	8,046	(2,253)	247	(123)	8,293	(2,376)
Mutual funds	40,486	(4,827)	74	(8)	40,560	(4,835)
Total equity securities	64,981	(11,720)	6,875	(2,084)	71,856	(13,804)
Total	$552,490	$ (59,282)	$94,411	$ (15,586)	$646,901	$ (74,868)

2. Investments (continued)

(In thousands)	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2021						
Fixed maturity securities, available-for-sale:						
U.S. government securities	$ 19,819	$ (267)	$ 108	$ (2)	$ 19,927	$ (269)
Corporate securities and miscellaneous	47,308	(588)	—	—	47,308	(588)
Municipal securities	4,549	(36)	—	—	4,549	(36)
Residential mortgage-backed securities	72,672	(1,252)	145	(3)	72,817	(1,255)
Commercial mortgage-backed securities	12,653	(175)	241	(12)	12,894	(187)
Asset-backed securities	34,266	(1,463)	1,256	(38)	35,522	(1,501)
Total fixed maturity securities, available-for-sale	191,267	(3,781)	1,750	(55)	193,017	(3,836)
Equity securities:						
Common stocks	$ 2,493	$(1,066)	$7,885	$(1,775)	$ 10,378	$(2,841)
Preferred stocks	1,353	(4)	—	—	1,353	(4)
Mutual funds	5,441	(17)	—	—	5,441	(17)
Total equity securities	9,287	(1,087)	7,885	(1,775)	17,172	(2,862)
Total	$200,554	$(4,868)	$9,635	$(1,830)	$210,189	$(6,698)

As of September 30, 2022, the Company has 97 lots of fixed maturity securities in an unrealized loss position aged over 12 months. The Company does not have the intent to sell and it is not more likely-than-not that we will be required to sell these fixed maturity securities, available for sale, before the securities recover to their amortized cost value. In addition, the Company believes none of the declines in fair values of these fixed maturity securities, available for sale relate to credit losses. The Company believes none of the declines in fair value of these fixed maturity securities, available for sale, were other-than-temporary at September 30, 2022. The Company recognized no other-than-temporary impairment adjustments on fixed maturity securities, available for sale, for the three and nine months ended September 30, 2022 and 2021.

The components of net investment (losses) gains for the three and nine months ended September 30, 2022 and 2021 are as follows:

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Gross realized gains				
Fixed maturity securities, available-for sale	$ 64	$ 60	$ 174	$ 425
Equity securities	605	211	3,481	1,517
Other	—	—	36	13
Total	669	271	3,691	1,955
Gross realized losses				
Fixed maturity securities, available-for sale	(288)	(266)	(781)	(893)
Equity securities	(1,388)	(9)	(2,825)	(105)
Other	(1)	—	(22)	(4)
Total	(1,677)	(275)	(3,628)	(1,002)
Net unrealized (losses) gains on securities still held				
Equity securities	(6,297)	(1,213)	(26,180)	9,068
Net investment (losses) gains	**$(7,305)**	**$(1,217)**	**$(26,117)**	**$10,021**

2. Investments (continued)

Proceeds from sales of debt and equity securities for the nine months ended September 30, 2022 and 2021 are as follows:

	Nine months ended September 30,	
(in thousands)	**2022**	**2021**
Fixed maturity securities, available-for sale	$ 9,646	$ 9,528
Equity securities	32,356	29,342

The Company's net investment income for the three and nine months ended September 30, 2022 and 2021 is summarized as follows:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	**2022**	**2021**	**2022**	**2021**
Income:				
Fixed maturity securities, available-for sale	$ 4,912	$ 2,675	$12,103	$ 7,013
Fixed maturity securities, held-to-maturity	805	1,292	4,147	3,609
Equity securities	912	626	2,650	1,849
Equity method investments	(3,861)	2,680	7,615	8,721
Mortgage loans	1,275	232	3,109	742
Indirect loans	3,104	1,937	7,783	1,994
Short-term investments and cash	505	27	716	117
Other	(135)	281	(153)	596
Total investment income	7,517	9,750	37,970	24,641
Investment expenses	(1,529)	(1,645)	(6,303)	(4,025)
Net investment income	**$ 5,988**	**$ 8,105**	**$31,667**	**$20,616**

The change in net unrealized losses on investments, net of deferred income taxes, in other comprehensive loss for the three and nine months ended September 30, 2022 and 2021 is as follows:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	**2022**	**2021**	**2022**	**2021**
Fixed maturity securities	$(22,500)	$(1,610)	$(61,957)	$(5,155)
Deferred income taxes	4,725	148	13,011	847
Total	**$(17,775)**	**$(1,462)**	**$(48,946)**	**$(4,308)**

3. Fair Value Measurements

The Company's financial instruments include assets and liabilities carried at fair value, as well as assets and liabilities carried at cost or amortized cost but disclosed at fair value in our financial statements. In determining fair value, the Company generally applies the market approach, which uses prices and other relevant data based on market transactions involving identical or comparable assets and liabilities.

The Company is responsible for the determination of the fair value of our investments. To complete this valuation, the Company uses data primarily provided by third-party investment managers or pricing vendors. The Company performs periodic analyses on the prices received from third parties to determine whether the prices are reasonable estimates of fair value. The Company's analyses include a review of month-to-month price fluctuations and, as needed, a comparison of pricing services' valuations to other pricing services' valuations for the identical security.

3. Fair Value Measurements (continued)

The Company classifies our financial instruments into the following three-level hierarchy:

Level 1 - Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 - Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 - Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The Company used the following methods and assumptions in estimating the fair value disclosures for financial instruments in the accompanying consolidated financial statements and in these notes:

U.S. government securities, mutual funds and common stock

The Company uses unadjusted quoted prices for identical instruments traded in an active exchange market to measure fair value which represent Level 1 inputs.

Preferred stocks, municipal securities, corporate securities and miscellaneous

The Company uses a pricing model that utilizes market-based inputs such as trades in an illiquid market for a particular security or trades in active markets for securities with similar characteristics. The model considers other inputs such as benchmark yields, issuer spreads, security terms and conditions, and other market data. These represent Level 2 fair value inputs.

Commercial mortgage-backed securities, residential mortgage-backed securities and asset-backed securities

The Company uses a pricing model that utilizes market-based inputs that may include dealer quotes, market spreads, and yield curves. The Company may evaluate individual tranches in a security by determining cash flows using the security's terms and conditions, collateral performance, credit information benchmark yields and estimated prepayments. These represent Level 2 fair value inputs.

The following table presents the carrying value and estimated fair value of our financial instruments as of September 30, 2022 and December 31, 2021:

	September 30, 2022		December 31, 2021	
(in thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Fixed maturity securities, available-for-sale	$562,573	$562,573	$458,351	$458,351
Fixed maturity securities, held-to-maturity	51,857	47,296	47,117	47,117
Equity securities	109,640	109,640	117,971	117,971
Mortgage loans	52,072	51,626	29,531	29,264
Short-term investments	104,915	104,915	164,278	164,278
Cash and cash equivalents	30,727	30,727	42,107	42,107
Restricted cash	75,359	75,359	65,167	65,167
Liabilities				
Notes payable	$ 50,000	$ 50,000	$ 50,000	$ 50,000
Subordinated debt	78,589	79,040	78,529	83,235

3. Fair Value Measurements (continued)

The following table summarizes fair value measurements by level at September 30, 2022 and December 31, 2021 for assets and liabilities measured at fair value on a recurring basis:

(in thousands)	Level 1	Level 2	Level 3	Total
September 30, 2022				
Fixed maturity securities, available-for-sale:				
U.S. government securities	$ 43,258	$ —	$—	$ 43,258
Corporate securities and miscellaneous	—	218,236	—	218,236
Municipal securities	—	59,402	—	59,402
Residential mortgage-backed securities	—	104,395	—	104,395
Commercial mortgage-backed securities	—	35,594	—	35,594
Asset-backed securities	—	101,688	—	101,688
Total fixed maturity securities, available-for-sale	43,258	519,315	—	562,573
Common stocks:				
Consumer discretionary	2,039	—	—	2,039
Consumer staples	10,092	—	—	10,092
Energy	2,611	—	—	2,611
Finance	22,264	—	—	22,264
Industrial	7,606	—	—	7,606
Information technology	1,582	—	—	1,582
Materials	2,449	—	—	2,449
Other	1,629	—	—	1,629
Total common stocks	50,272	—	—	50,272
Preferred stocks:				
Finance	—	8,114	—	8,114
Industrial	—	690	—	690
Other	—	630	—	630
Total preferred stocks	—	9,434	—	9,434
Mutual stocks:				
Fixed income	4,998	—	—	4,998
Equity	44,484	—	—	44,484
Commodity	452	—	—	452
Total mutual funds	49,934	—	—	49,934
Total equity securities	100,206	9,434	—	109,640
Short-term investments	104,915	—	—	104,915
Total assets measured at fair value	$248,379	$528,749	$—	$777,128

3. Fair Value Measurements (continued)

(in thousands)	Level 1	Level 2	Level 3	Total
December 31, 2021				
Fixed maturity securities, available-for-sale:				
U.S. government securities	$ 49,263	$ —	$—	$ 49,263
Corporate securities and miscellaneous	—	154,163	—	154,163
Municipal securities	—	56,942	—	56,942
Residential mortgage-backed securities	—	103,735	—	103,735
Commercial mortgage-backed securities	—	14,484	—	14,484
Asset-backed securities	—	79,764	—	79,764
Total fixed maturity securities, available-for-sale	49,263	409,088	—	458,351
Common stocks:				
Consumer discretionary	2,102	—	—	2,102
Consumer staples	13,643	—	—	13,643
Energy	2,781	—	—	2,781
Finance	24,657	—	—	24,657
Industrial	8,806	—	—	8,806
Information technology	2,408	—	—	2,408
Materials	3,160	—	—	3,160
Other	868	—	—	868
Total common stocks	58,425	—	—	58,425
Preferred stocks:				
Finance	—	17,018	—	17,018
Other	—	1,148	—	1,148
Total preferred stocks	—	18,166	—	18,166
Mutual stocks:				
Fixed income	5,374	—	—	5,374
Equity	35,471	—	—	35,471
Commodity	535	—	—	535
Total mutual funds	41,380	—	—	41,380
Total equity securities	99,805	18,166	—	117,971
Short-term investments	164,278	—	—	164,278
Total assets measured at fair value	$313,346	$427,254	$—	$740,600

The Company measures certain assets, including investments in indirect loans and loan collateral, equity method investments and other invested assets, at fair value on a nonrecurring basis only when they are deemed to be impaired.

In addition to the preceding disclosures on assets and liabilities recorded at fair value in the consolidated balance sheets, the Company is also required to disclose the fair values of certain other financial instruments for which it is practicable to estimate fair value. Estimated fair value amounts, defined as the quoted market price of a financial instrument, have been determined using available market information and other appropriate valuation methodologies. However, considerable judgements are required in developing the estimates of fair value where quoted market prices are not available. Accordingly, these estimates are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions or estimating methodologies may have an effect on the estimated fair value amounts.

3. Fair Value Measurements (continued)

The Company uses the following methods and assumptions in estimating the fair value disclosures of other financial instruments:

Fixed maturity securities, held to maturity: Fixed maturity securities, held to maturity consists of senior and junior notes with target rates of return. The Company determines the fair value of these instruments using the income approach utilizing inputs that are unobservable (Level 3).

Mortgage loans: Mortgage loans have fixed interest rates and are collateralized by real property. The Company determines the fair value of mortgage loans using the income approach utilizing inputs that are unobservable (Level 3).

Notes payable: The carrying value approximates the estimated fair value for notes payable as the notes payable accrue interest at current market rates plus a spread. The Company determines the fair value using the income approach utilizing inputs that are observable (Level 2).

Subordinated debt: Subordinated debt consists of two debt instruments, the Junior Subordinated Interest Debentures, due September 15, 2036, and Unsecured Subordinated Notes, due May 24, 2039. The carrying value of the Junior Subordinated Interest Debentures approximates the estimated fair value as the instrument accrues interest at current market rates plus a spread. Unsecured Subordinated Notes have a fixed interest rate. The Company determines the fair value of these instruments using the income approach utilizing inputs that are observable (Level 2).

Other financial instruments qualify as insurance-related products and are specifically exempted from fair value disclosure requirements.

4. Mortgage Loans

During 2016, the Company began investing in a Separately Managed Account ("SMA1"), managed by Arena Investors, LP ("Arena"), which is affiliated with The Westaim Corporation ("Westaim") who, through Westaim HIIG LP (a limited partnership controlled by Westaim), is the Company's largest shareholder. During 2017, the Company began investing in a second Separately Managed Account ("SMA2"), managed by Arena. As of September 30, 2022 and December 31, 2021, the Company held direct investments in mortgage loans from various creditors through SMA1 and SMA2.

The Company's mortgage loan portfolios are primarily senior loans on real estate across the U.S. The loans earn interest at fixed rates, mature in approximately 1 to 2 years from loan origination and the principal amounts of the loans range between 40% to 117% property's appraised value at the time the loans were made. Mortgage loan participations are carried at cost adjusted for unamortized premiums, discounts, and loan fees.

The carrying value of the Company's mortgage loans as of September 30, 2022 and December 31, 2021 are as follows:

(in thousands)	September 30, 2022	December 31, 2021
Retail	$13,338	$10,593
Industrial	6,323	6,314
Commercial	15,298	6,298
Multi-family	9,020	3,296
Office	3,184	1,691
Hospitality	4,909	1,339
	$52,072	**$29,531**

The Company's gross investment income for the three and nine months ended September 30, 2022 and 2021 are as follows:

4. Mortgage Loans (continued)

(in thousands)	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Retail	$ 337	$ —	$ 846	$ —
Industrial	181	—	433	—
Commercial	320	28	707	28
Multi-family	237	70	553	73
Office	84	23	306	23
Land	—	63	—	166
Hospitality	116	48	264	452
	$1,275	**$232**	**$3,109**	**$742**

The uncollectable amounts on loans, on an individual loan basis, are determined based upon consultations and advice from the Company's specialized investment manager and consideration of any adverse situations that could affect the borrower's ability to repay, the estimated value of underlying collateral, and other relevant factors. When an amount is determined to be uncollectable, the Company directly writes off the uncollectable amount in the period it was determined to be uncollectable. For the three and nine months ended September 30, 2022 and 2021, the Company had no write-off for uncollectable amounts.

5. Other long-term investments

Equity Method Investments

The Company's ownership interests in most of its equity method investments ranges from approximately 3% to less than 50% where the Company has significant influence but not control. The Company owns 100% of the limited partner interests in Universa Black Swan LP; however, the Company does not have the power to direct the activities of Universa Black Swan LP and the Company does not consolidate the entity.

The carrying value of the Company's equity method investments as of September 30, 2022 and December 31, 2021 is as follows:

(In thousands)	September 30, 2022	December 31, 2021
Dowling Capital Partners LP units	$ 1,986	$ 2,416
RISCOM	4,565	3,366
Arena Special Opportunities Fund, LP units	45,563	41,763
Arena Rated Product LP units	9,394	5,692
Hudson Ventures Fund 2 LP units	3,397	1,913
Universa Black Swan LP units	1,992	4,354
JVM Funds LLC units	22,354	24,000
	$89,251	**$83,504**

The Company's net investment income from equity method investments for the three and nine months ended September 30, 2022 and 2021 is summarized as follows:

5. Other long-term investments (continued)

(In thousands)	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Dowling Capital Partners LP units	$ (31)	$ 305	$ 524	$ 393
RISCOM	373	332	1,199	598
Arena Special Opportunities Fund, LP units	483	1,400	4,729	3,627
Arena Rated Product LP units	(4,068)	949	3,702	4,409
JVM Funds LLC	220	—	(548)	—
Hudson Ventures Fund 2 LP units	(26)	(19)	371	(19)
Universa Black Swan LP units	(812)	(287)	(2,362)	(287)
	$(3,861)	**$2,680**	**$ 7,615**	**$8,721**

The Company's unfunded commitment of equity method investments as of September 30, 2022 and December 31, 2021 is as follows:

(In thousands)	September 30, 2022	December 31, 2021
Dowling Capital Partners LP units	$ 386	$ 368
Hudson Ventures Fund 2 LP units	1,942	3,063
	$2,328	**$3,431**

The difference between the cost of an investment and our proportionate share of the underlying equity in net assets is allocated to the various assets and liabilities of the equity method investment. The Company amortizes the difference in net assets over the same useful life of a similar asset as the underlying equity method investment. For RISCOM, a similar asset would be agent relationships, which the Company amortizes over a 15-year useful life.

The following table summarizes the Company's recorded investment compared to its share of underlying equity as of September 30, 2022 and December 31, 2021:

(In thousands)	September 30, 2022	December 31, 2021
Investment in RISCOM:		
Underlying equity	$2,760	$1,378
Difference	1,805	1,988
Recorded investment balance	**$4,565**	**$3,366**

Investment in Bank Holding Companies

Beginning in 2017 and through 2018, the Company acquired a $2.0 million investment in Captex Bancshares, a Texas bank holding company. The Company's assessment of its ownership percentage and influence through one of its employees on the Board of Directors of Captex Bankshares indicates the Company does not have significant influence over the investee. The Company carries its investment in Captex Bancshares at cost, less impairment or observable changes in price. The Company reviews these investments for impairment or observable changes in price during each reporting period. There were no impairments or observable changes in price during the nine months ended September 30, 2022 and 2021.

During the first quarter of 2020, the Company acquired a $2.0 million investment in Gulf Capital Bank, a Texas bank holding company. The Company's assessment of its ownership percentage indicates it does not have significant influence over the investee. During the fourth quarter of 2020, the Company sold

5. Other long-term investments (continued)

approximately $1.8 million of shares to other owners of Gulf Capital Bank at cost. The Company carries its investment in Gulf Capital Bank at cost, less impairment or observable changes in price. There were no impairments or observable changes in price during the nine months ended September 30, 2022 and 2021.

Investment in Indirect Loans and Loan Collateral

As of September 30, 2022 and December 31, 2021, the Company held indirect investments in collateralized loans and loan collateral through SMA1 and SMA2. The carrying value and unfunded commitment of the SMA1 and SMA2 as of September 30, 2022 and December 31, 2021 is as follows:

	September 30, 2022		December 31, 2021	
(In thousands)	Carrying Value	Unfunded Commitment	Carrying Value	Unfunded Commitment
SMA1	$40,573	$—	$33,100	$ —
SMA2	3,679	—	10,855	16,563
Investment in indirect loans and loan collateral	**$44,252**	**$—**	**$43,955**	**$16,563**

See Note 6 for $1.8 million of common stock acquired from an entity providing the Company's subordinated debt.

6. Subordinated Debt

The following table summarizes the Company's subordinated debt as of September 30, 2022 and December 31, 2021:

(In thousands)	September 30, 2022	December 31, 2021
Junior subordinated interest debentures, due September 15, 2036, payable quarterly		
Principal	$59,794	$59,794
Less: Debt issuance costs	(669)	(705)
Unsecured subordinated notes, due May 24, 2039, interest payable quarterly		
Principal	20,000	20,000
Less: Debt issuance costs	(536)	(560)
Subordinated debt, net of debt issuance costs	**$78,589**	**$78,529**

In May 2019, the Company entered into an agreement to issue unsecured subordinated notes (the "Notes") with an aggregate principal amount of $20.0 million. Interest on the Notes is fixed at 7.25% for the first 8 years and fixed at 8.25% thereafter. Early retirement of the debt ahead of 8 year commitment requires all interest payments to be paid in full as well as the return of outstanding principal. Principal is due at maturity on May 24, 2039 and interest is payable quarterly. The Notes have junior priority to all previously issued debt. The Company reports debt related to the Notes in its September 30, 2022 and December 31, 2021 consolidated balance sheets, net of debt issuance costs of approximately $0.5 million and $0.6 million, respectively. These deferred financing costs are presented as a direct deduction from the carrying amount of the subordinated debt.

On August 2, 2006, Delos Capital Trust n/k/a HIIG Capital Trust I (the "Trust"), a Delaware statutory trust, issued $58.0 million of fixed/floating rate capital securities guaranteed by us. The Trust also issued us $1.8 million of common stock, classified within other invested assets. The Company has not consolidated the Trust that issued the capital securities, as it does not meet the criteria for consolidation and the Company does not have significant influence over the investee.

The Company carries its investment in the common stock of the Trust at cost. There were no impairments or observable changes in price during the nine months ended September 30, 2022 and 2021.

6. Subordinated Debt (continued)

The sole asset of the Trust consists of Fixed/Floating Rate Junior Subordinated Deferrable Interest Debentures (the "Debentures") with a principal amount of $59.8 million issued by the Company. The Debentures are an unsecured obligation, are redeemable on or after September 15, 2011, and have a maturity date of September 15, 2036. Interest on the Debentures is payable quarterly at an annual rate based on the three-month LIBOR (3.75% and 0.21% on September 30, 2022 and December 31, 2021, respectively) plus 3.4%. The Company reflects debt related to the Debentures in its September 30, 2022 and December 31, 2021 consolidated balance sheets, net of debt issuance costs of approximately $0.7 million. These deferred financing costs are presented as a direct deduction from the carrying amount of the subordinated debt.

7. Notes Payable

The following table summarizes the Company's notes payable as of September 30, 2022 and December 31, 2021:

(In thousands)	September 30, 2022	December 31, 2021
Term loan, due December 31, 2024, interest payable quarterly	$50,000	$50,000

The interest rate on the $50.0 million term loan is the lesser of the one-month LIBOR (3.14% and 0.10% on September 30, 2022 and December 31, 2021, respectively) plus the Applicable Margin, which is defined as 1.65%, or the highest lawful rate. Interest-only payments are due and payable on a quarterly basis through December 31, 2024. The entire principal balance of the $50.0 million term loan is due December 31, 2024.

Interest payments on the term loan for the three and nine months ended September 30, 2022 and 2021 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
(In thousands)	2022	2021	2022	2021
Interest payments on term loan	$364	$221	$884	$221

The interest rate on the $50.0 million revolving line of credit is the lesser of the prime rate, as published by the Wall Street Journal, or the one-month LIBOR (3.14% and 0.10% on September 30, 2022 and December 31, 2021, respectively) plus the Applicable Margin, which is defined as the lesser of 1.65%, or the highest lawful rate. The revolving promissory note includes a fee of 0.25% on the unused portion. Interest-only payments are due and payable on a quarterly basis through December 31, 2024. The entire principal balance of the $50.0 million revolving line of credit is due December 31, 2024. Subject to lender approval, we have a right to increase the capacity to $75.0 million.

Interest payments on the revolving line of credit for the three and nine months ended September 30, 2022 and 2021 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
(In thousands)	2022	2021	2022	2021
Interest payments on revolving line of credit	$—	$32	$—	$95

The indebtedness is collateralized by a perfected first priority security interest in all of the assets of the Company, Skyward Underwriters Agency, Inc. ("SUA") and the outstanding capital stock of Houston Specialty Insurance Company ("HSIC"), which are both subsidiaries of the Company.

The credit agreement includes financial covenants that require the Company maintain minimum surplus and risk based capital on HSIC, minimum net worth, and a minimum fixed charge coverage ratio as well as other customary covenants and events of default. As of September 30, 2022, the Company was in compliance with all covenants in its credit agreement.

8. Stockholders' Equity

Conversion feature

On April 24, 2020 the Company closed a private preferred share rights offering. Existing holders of common stock were given the right to subscribe for shares, on a pro rata basis, of Series A Convertible Preferred Stock (the "Preferred Shares") with a face value of $50.00 per share. The Preferred Shares provide the holder the option at any time to convert the Preferred Shares into common stock based on the Option Conversion Rate. The initial Option Conversion rate allowed the holder of the Preferred Shares the right to convert into common stock based on a conversion price equal to $6.96 per common share. In accordance with the terms of the Preferred Shares, the Option Conversion Rate was adjusted upon the completion of the audit of the financial statements as of and for the year ended December 31, 2021. The adjustments to the Option Conversion Rate consisted of adjustments for: (i) the after-tax cost of the loss portfolio transfer, a retroactive reinsurance agreement we entered into during the second quarter of 2020 ("LPT"); (ii) the after-tax impact of any co-participation expense related to the LPT; (iii) the development of losses and LAE reserves subject to but in excess of limits on the LPT; and (iv) the after-tax impact of development on losses and LAE reserves not subject to the LPT subsequent to December 31, 2019. As of September 30, 2022 and December 31, 2021 the Option Conversion Rate allowed the holder of the Preferred Shares the right to convert into common stock based on a conversion price equal to $6.04 per common share.

As of September 30, 2022 and December 31, 2021, the 1,969,660 and 1,970,124 outstanding Preferred Shares, respectively, could be converted into 16,305,113 and 16,308,953 common shares, respectively, after the final adjustment to the Option Conversion Rate. As of September 30, 2022 and December 31, 2021 we have the ability to settle in common shares and the Preferred Shares were classified within Stockholders' Equity.

The Preferred Shares are subject to mandatory conversion upon a defined change of control transaction or the closing of an initial public offering at the Mandatory Conversion Rate. The Mandatory Conversion Rate is similar to the Option Conversion Rate but is adjusted for the after-tax impact of any co-participation expense related to the LPT, the development of losses and LAE reserves in excess of limits on the LPT and the after-tax impact of development on losses and LAE reserves not subject to the LPT on the final day of the last quarter-end prior to when a defined change of control transaction or closing of an initial public offering occurs. As of December 31, 2021, the Mandatory Conversion Rate allowed the holder of the Preferred Shares the right to convert into common stock based on a conversion price equal to $6.04 per common share.

Preference

The Preferred Shares have preference in liquidation over common stock in the amount of the face value of $50.00 per share and any declared but unpaid dividends to related common shares at the applicable conversion rate.

9. Income Taxes

The Company's income tax (benefit) expense and effective tax rates for the three and nine months ended September 30, 2022 and 2021 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
(In thousands, except for effective tax rates)	**2022**	**2021**	**2022**	**2021**
Income tax (benefit) expense	$(719)	$2,588	$4,842	$9,671
Effective tax rate	23.1%	20.6%	20.3%	20.7%

The effective tax rate will differ from the statutory rate of 21 percent due to beneficial adjustments for tax-exempt income and dividends-received deduction. In periods of income tax benefit, the effective tax rate will be greater than the statutory rate and in periods of income tax expense, the effective tax rate will be lower than the statutory rate.

The Company paid no income taxes during the three and nine months ended September 30, 2022 and 2021, which are available for recoupment in the event of future losses.

9. Income Taxes (continued)

As of September 30, 2022, there were no material uncertain tax positions. The Company believes it is more likely-than-not that the total amounts will not significantly increase or decrease within 12 months of the reporting date. The Company classifies all interest and penalties related to tax contingencies as income tax expense. As of September 30, 2022 and December 31, 2021, there was no accrued interest recorded as an income tax liability.

Deferred tax assets and liabilities are recorded based on the difference between the financial statement and tax bases of assets and liabilities at the enacted tax rates. The Company reviews its deferred tax assets regularly for recoverability. At September 30, 2022 and December 31, 2021, the Company provides a valuation allowance against deferred tax assets when it is more likely-than-not that some portion, or all, of deferred tax assets will not be realized.

10. Losses and Loss Adjustment Expenses

A reconciliation of unpaid losses and loss adjustment expenses as reported in the consolidated balance sheet as of and for the nine months ended September 30, 2022 and 2021 are as follows:

(In thousands)	September 30, 2022	September 30, 2021
Reserves for losses and LAE, beginning of period	$ 979,549	$ 856,780
Less: reinsurance recoverable on unpaid claims, beginning of period	(381,338)	(375,182)
Reserves for losses and LAE, beginning of period, net of reinsurance	598,211	481,598
Incurred, net of reinsurance, related to:		
Current period	284,265	249,828
Prior years	14,385	—
Total incurred, net of reinsurance	298,650	249,828
Paid, net of reinsurance, related to:		
Current period	62,864	43,817
Prior years	158,749	132,412
Total paid	221,613	176,229
Net reserves for losses and LAE, end of period	675,248	555,197
Plus: reinsurance recoverable on unpaid claims, end of period	386,752	400,776
Reserves for losses and LAE, end of period	**$1,062,000**	**$ 955,973**

During the nine months ended September 30, 2022, the Company strengthened loss reserves by $14.4 million. This unfavorable development was primarily related to 2015 through 2017 accident years and was driven by higher than expected reported losses.

11. Commission and Fee Income

SUA is a managing general insurance agent and reinsurance broker for property and casualty and accident and health risks in specialty niche markets. Commission and fee income is primarily generated from SUA for the placement of insurance policies on either a third-party insurance or reinsurance company.

The Company's disaggregated revenues from contracts with customers for the three and nine months ended September 30, 2022 and 2021 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
(In thousands)	2022	2021	2022	2021
SUA commission revenue	$ 967	$574	$2,626	$1,502
SUA fee income	280	286	785	844
Other	115	103	241	318
Total commission and fee income	**$1,362**	**$963**	**$3,652**	**$2,664**

11. Commission and Fee Income (continued)

The Company's contract assets from commission and fee income as of September 30, 2022 and December 31, 2021 are as follows:

(In thousands)	September 30, 2022	December 31, 2021
Contract asset	$1,686	$1,209

12. Underwriting, Acquisition and Insurance Expenses

The Company's underwriting, acquisition and insurance expense consists of the following for the three and nine months ended September 30, 2022 and 2021:

	Three months ended September 30,		Nine months ended September 30,	
(In thousands)	2022	2021	2022	2021
Amortization of policy acquisition costs	$17,379	$11,433	$ 45,514	$30,657
Other operating and general expenses	29,961	22,621	86,744	68,336
Underwriting, acquisition and insurance expenses	**$47,340**	**$34,054**	**$132,258**	**$98,993**

13. Reinsurance

Certain premiums and benefits are assumed from and ceded to other insurance companies under various reinsurance agreements. The reinsurance agreements provide the Company with increased capacity to write larger risks and maintain its exposure to loss within its capital resources. The Company remains obligated for amounts ceded in the event that the reinsurers do not meet their obligations.

The effects of reinsurance on premiums written and earned for the three and nine months ended September 30, 2022 and 2021 are as follows:

	Three months ended September 30,			
	2022		2021	
(In thousands)	Written	Earned	Written	Earned
Direct premiums	$246,339	$ 242,727	$200,484	$ 209,415
Assumed premiums	23,910	30,020	14,657	26,754
Ceded premiums	(98,795)	(114,699)	(84,382)	(106,157)
Net premiums	**$171,454**	**$ 158,048**	**$130,759**	**$ 130,012**
Ceded losses and LAE incurred		**$ 60,878**		**$ 75,534**

	Nine months ended September 30,			
	2022		2021	
(In thousands)	Written	Earned	Written	Earned
Direct premiums	$ 771,668	$ 695,567	$ 629,410	$ 607,510
Assumed premiums	107,451	82,549	86,266	77,498
Ceded premiums	(383,532)	(332,265)	(327,513)	(318,956)
Net premiums	**$ 495,587**	**$ 445,851**	**$ 388,163**	**$ 366,052**
Ceded losses and LAE incurred		**$ 190,465**		**$ 188,532**

13. Reinsurance (continued)

The components of reinsurance recoverables and ceded unearned premium as of September 30, 2022 and December 31, 2021 are as follows:

(In thousands)	September 30, 2022	December 31, 2021
Unpaid losses and loss adjustment expenses ceded	$386,752	$381,338
Paid losses and loss adjustment expense ceded	113,354	90,761
Loss portfolio transfer	42,789	64,228
Reinsurance recoverables	**$542,895**	**$536,327**
Ceded unearned premium	**$189,241**	**$137,973**

The Company entered into agreements with several of its reinsurers, whereby the reinsurer established funded trust accounts with the Company as the sole beneficiary. These trust accounts provide the Company additional security to collect claim recoverables under reinsurance contracts; the Company does not carry these on the balance sheet as we will only have custody over these accounts upon the failure of the reinsurer to pay amounts due. At September 30, 2022, the market value of these accounts was approximately $117.4 million. The agreements provide that, as was customary in the past, the reinsurer will continue claim payment reimbursements without disturbing the trust balances. The trust amount will be adjusted periodically, by mutual agreement, based on loss reserve recoverables.

During the first quarter of 2020, the Company entered into an LPT retroactive reinsurance agreement. Under the LPT, the Company received reinsurance protection of approximately $127.4 million above the ceded losses and LAE reserves and is subject to co-participations at specified amounts. During the three and nine months ended September 30, 2022, the Company strengthened reserves for certain divisions covered by the LPT of $14.4 million resulting in an increase in the amount ceded under this agreement. The increase in the amount ceded was partially offset by $5.1 million of recognized gain. In total, the Company recognized $9.3 million of pretax net LPT expense, which was recorded in losses and loss adjustment expenses. Under the LPT, the Company has $36.0 million of remaining coverage on additional incurred losses on business subject to the LPT as of September 30, 2022. The following table presents the impact of the LPT on the consolidated statements of operations for the three and nine months ended September 30, 2022 and 2021:

	Three months ended September 30,		Nine months ended September 30,	
(In thousands)	2022	2021	2022	2021
Strengthening of reserves subject to the LPT	$(14,385)	$—	$(14,385)	$—
Reinsurance recoveries under the LPT	5,114	—	5,114	—
Pretax net impact of the LPT and strengthening of reserves subject to the LPT	**$ (9,271)**	**$—**	**$ (9,271)**	**$—**

Certain ceded reinsurance contracts that transfer only significant timing risk and do not transfer sufficient underwriting risk are accounted for using the deposit method of accounting. The Company's deposit asset as of September 30, 2022 and December 31, 2021 was approximately $36.2 million and $45.0 million, respectively, which was included in other assets on the balance sheet.

14. Stock Based Compensation

Legacy Programs

The Company granted common stock to our employees and non-employee directors under its Stock Purchase Program and Equity Incentive Program (the "Legacy Programs"). The Legacy Programs were active during the nine months ended September 30, 2021 and allowed key employees to purchase our common stock at a price based on fair value of the Company at the end of the quarter in which the employee commits to the

14. Stock Based Compensation (continued)

purchase. The Company then matched all purchases with stock grants. The programs required an initial cash payment of at least 30% of the committed fair value of the purchase with any remaining commitment recorded as a note receivable to the Company which is included in Stockholders' Equity. Grants awarded vest after two conditions are met (i) the employee has worked for us for three years after the grant and (ii) cash payments are made for stock purchases. All grants awarded under the Legacy Programs vest over a three-year service period and are expensed on a pro rata basis over the service period.

Under the Legacy Programs, the Company sold 63,374 shares of our common stock during the nine months ended September 30, 2021. In accordance with the plan, the Company granted a match of 63,374 shares of our common stock during the nine months ended September 30, 2021. During the nine months ended September 30, 2021, members of the Board of Directors were awarded 51,889 common shares with a service period of between 0 to 3 years.

Under the Legacy Programs, the Company offered employees the option to finance up to 70% of the purchased shares with a stock note receivable. These stock notes receivables are recorded as a reduction to Stockholders' Equity. As of September 30, 2022 and December 31, 2021 stock notes receivable related to these programs totaled $0.5 million and $1.6 million, respectively. The stock notes receivable bear interest at a rate ranging from 0.95% to 2.80%, based on the Internal Revenue Service applicable federal rates.

During the nine months ended September 30, 2021, several employees who previously received common stock awards under the Legacy Programs notified the Company that they would not be repaying the remaining balance on their stock notes receivable. Under the terms of the Legacy Programs, employees would return their common shares financed by the remaining stock note balance and forfeit the same number of award shares. During the nine months ended September 30, 2021, 19,356 common shares financed and awarded were returned and forfeited. The return of the 9,678 financed shares resulted in the cancellation of $0.4 million in stock notes for the nine months ended September 30, 2021. Forfeitures of the 9,678 award shares resulted in the reversal of previously recognized stock compensation expense of $0.4 million for the nine months ended September 30, 2021.

Long Term Incentive Plan

In December 2020, the Compensation Committee of the Company's Board of Directors (the "Compensation Committee") approved a new Long Term Incentive Plan (the "LTIP"). The LTIP provides for the granting of restricted stock, restricted stock units, performance share awards, as well as cash-based performance awards, to select employees and non-employee directors of the Company. Awards with a market or performance condition will be issued in shares at the end of the requisite service period in an amount that varies based on satisfaction of market or performance condition targets during the requisite service period.

During the nine months ended September 30, 2022 and 2021, under the LTIP the Compensation Committee approved 198,842 and 213,427 shares of common stock, respectively. During the nine months ended September 30, 2022, members of the Board of Directors were awarded 15,196 common shares with a service period of 1 year. The shares granted to employees and the Board of Directors during the nine months ended September 30, 2022 and 2021 were valued at approximately $2.6 million and $2.5 million, respectively, based on the grant date fair value.

14. Stock Based Compensation (continued)

A summary of the equity awards, target payout ranges based on meeting award conditions and authorized target common shares for the nine months ended September 30, 2022 and 2021 are as follows:

	Award Payout Range	Requisite Service Period	Authorized Target Common Shares
Nine months ended September 30, 2022			
Market condition awards	0% – 150%	3 years	28,495
Performance condition awards	0% – 150%	3 years	26,210
Restricted share and stock unit awards	N/A	1 to 3 years	144,137
			198,842
Nine months ended September 30, 2021			
Market condition awards	0% – 150%	3 years	46,474
Performance condition awards	0% – 150%	3 years	29,501
Restricted stock unit awards	N/A	3 years	137,452
			213,427

Summary of Legacy Programs and Long Term Incentive Plan

A summary of the status of the Company's non-vested common stock awards from the Legacy Programs and the LTIP as of and for the nine months ended September 30, 2022 and 2021, is presented below:

	Weighted-Average Grant-Date Fair Value	Number of Common Shares
Non-vested at January 1, 2022	$13.23	375,643
Granted	14.17	198,842
Vested	15.55	(126,978)
Forfeited	12.51	(10,547)
Non-vested at September 30, 2022	$12.54	436,960
Non-vested at January 1, 2021	$19.47	84,671
Granted	11.94	328,690
Vested	14.57	(6,764)
Forfeited	15.77	(31,123)
Non-vested at September 30, 2021	$13.28	375,474

As of September 30, 2022 the total unrecognized compensation cost related to non-vested, share-based compensation awards was $3.4 million and the weighted average period over which that cost is expected to be recognized is 1.7 years.

Stock-based compensation expense (income) for the three and nine months ended September 30, 2022 and 2021 is summarized as follows:

	Three months ended September 30,		Nine months ended September 30,	
(In thousands)	2022	2021	2022	2021
Stock-based compensation expense (income)				
Stock-based compensation expense	$549	$340	$1,721	$1,020
Forfeitures	(38)	(35)	(38)	(352)
Total	$511	$305	$1,683	$ 668

15. Earnings Per Share

The following table presents a reconciliation of the numerator and denominator of the basic and diluted (loss) earnings per share computations contained in the period-ended consolidated financial statements in thousands, except for share and per share amounts.

(In thousands, except for share and per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Numerator				
Net (loss) income	$ (2,399)	$ 9,962	$ 18,977	$ 37,002
Less: Undistributed income allocated to participating securities	—	(4,808)	(9,124)	(17,885)
Net (loss) income attributable to common shareholders (numerator for basic earnings per share)	(2,399)	5,154	9,853	19,117
Add back: Undistributed income allocated to participating securities	—	4,808	9,124	17,885
Net (loss) income (numerator for diluted earnings per share under the two-class method)	$ (2,399)	$ 9,962	$ 18,977	$ 37,002
Denominator				
Basic weighted-average common shares	16,465,588	16,341,010	16,464,313	16,297,668
Unvested common shares	—	489	—	720
Preferred shares (if converted method)	—	15,247,539	15,245,533	15,247,540
Contingently issuable instruments (treasury stock method)	—	687,332	518,727	639,135
Market condition awards (contingently issuable)	—	38,024	103,811	38,024
Performance awards (contingently issuable)	—	21,348	39,231	22,839
Restricted stock units (treasury stock method)	—	130,593	227,054	133,904
Diluted weighted-average common share equivalents	16,465,588	32,466,335	32,598,669	32,379,830
Basic (loss) earnings per share	$ (0.15)	$ 0.32	$ 0.60	$ 1.17
Diluted (loss) earnings per share	$ (0.15)	$ 0.31	$ 0.58	$ 1.14

The Company's Preferred Shares participate in dividends and distributions with common stock on an as-converted basis and represent a participating security. The Preferred Shares did not have a contractual obligation to absorb losses during the three months ended September 30, 2022 and were not allocated losses for that period.

Anti-dilutive instruments are excluded from the calculation of diluted weighted-average common share equivalents as they would have an anti-dilutive impact. The following table presents instruments that were excluded from the calculation of diluted weighted-average common share equivalents.

15. Earnings Per Share (continued)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Preferred shares (if converted method)	15,247,437	—	—	—
Contingently issuable instruments (treasury stock method)	510,577	—	3,024	—
Market condition awards (contingently issuable)	112,454	—	—	—
Performance awards (contingently issuable)	42,411	—	—	—
Restricted stock units (treasury stock method)	252,180	—	—	—

The Company's common and preferred shares financed by stock notes are contingently issuable instruments where the holder must return, all or part of, the shares if the stock notes are not paid off. The following table presents common share equivalents of contingently issuable instruments that were excluded from basic earnings per share for the three and nine months ended September 30, 2022 and 2021, in shares:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Common shares	80,526	210,376	80,526	210,376
Preferred shares, if converted	1,059,602	1,251,944	1,059,602	1,251,944
Total	1,140,128	1,462,320	1,140,128	1,462,320

The impact of the contingently issuable instruments on diluted earnings per share was calculated using the treasury stock method and included in the reconciliation of the denominator of the basic and diluted earnings per share computations for the three and nine months ended September 30, 2022 and 2021.

16. Related Party Transactions

Westaim

In 2014 and continuing through 2015, Westaim HIIG LP acquired a majority of the Company's common stock. As of September 30, 2022 and December 31, 2021, Westaim HIIG LP owns 71.0% of the Company's common stock.

In 2015, the Company purchased 3,076,924 shares of Westaim common stock for $8.4 million. The Company's investment in Westaim is included in equity securities in the consolidated balance sheet as of September 30, 2022 and December 31, 2021. The unrealized loss on this investment is $2.5 million and $2.0 million as of September 30, 2022 and December 31, 2021, respectively.

On April 24, 2020, Westaim HIIG LP affiliates participated in the Company's preferred share rights offering and purchased $68.6 million of Preferred Shares in exchange for $68.1 million of cash and $0.5 million of stock notes. Within this group, Westaim purchased $44.0 million of Preferred Shares in exchange for $44.0 million of cash. As of September 30, 2022 and December 31, 2021, Westaim owns 44.7% of the Company's preferred stock.

Westaim performs consulting and certain other services for the Company pursuant to an agreement (the "Management Services Agreement"). Pursuant to the Management Services Agreement, the Company is required to pay Westaim $0.5 million a year plus expenses. The agreement will be effective until the termination date. The termination date is the earliest of (a) the date on which Westaim HIIG LP owns less than 8% of the number of shares outstanding, (b) the date on which the Company's initial public offering is consummated, or

16. Related Party Transactions (continued)

(c) the date upon which a change in control occurs. Pursuant to the current Management Services Agreement, the Company incurred the following expenses for the three and nine months ended September 30, 2022 and 2021 related to services provided by Westaim:

	Three months ended September 30,		Nine months ended September 30,	
(In thousands)	2022	2021	2022	2021
Management services agreement	$250	$125	$500	$375

RISCOM

During 2016, the Company entered into an agency agreement with RISCOM, in which the Company holds a 20% ownership interest, for wholesale brokerage services in addition to the already existing managing general agency agreement between the parties.

Net earned premium and gross commission expense related to these agreements for the three and nine months ended September 30, 2022 and 2021 is summarized as follows:

	Three months ended September 30,		Nine months ended September 30,	
(In thousands)	2022	2021	2022	2021
Net earned premium	$23,712	$19,829	$67,239	$56,717
Gross commission expense	5,558	5,205	18,666	16,590

Premiums receivable as of September 30, 2022 and December 31, 2021 is as follows:

(In thousands)	September 30, 2022	December 31, 2021
Premiums receivable	$12,985	$11,334

Reinsurance

The Company has reinsurance agreements with Everest Re, an affiliate of Mt. Whitney Securities, LLC, a limited partner of Westaim HIIG LP and holder of Preferred Shares. Reinsurance premiums ceded during the three and nine months ended September 30, 2022 and 2021, respectively, related to the agreement are as follows:

	Three months ended September 30,		Nine months ended September 30,	
(In thousands)	2022	2021	2022	2021
Reinsurance premiums ceded	$10,965	$15,696	$53,201	$79,970

Reinsurance recoverable from Everest Re, net of premium payables, as of September 30, 2022 and December 31, 2021 are as follows:

(In thousands)	September 30, 2022	December 31, 2021
Reinsurance recoverable, net of premium payables	$178,345	$168,847

Arena

During the nine months ended September 30, 2022, the Company began investing in multiple investment products issued by Arena Special Opportunities Partners (Feeder) II, LP ("Arena SOP II"), managed by Arena, which is affiliated with Westaim. The investment products include senior and junior notes issued by the Arena SOP II to raise capital from limited partners to fund purchases of investments. The return on the investments is used to pay interest on the senior and junior notes based on target returns of each class. The

16. Related Party Transactions (continued)

senior and junior notes are debt securities classified as held to maturity and presented on the balance sheet within fixed maturity securities, held to maturity. As of September 30, 2022 we invested $3.3 million in the senior and junior notes.

During the second quarter of 2021, the Company began investing in an asset-backed securities investment account managed by Arena. The asset-backed securities are within fixed maturity securities, available for sale on the consolidated balance sheet. As of September 30, 2022 we have no unfunded commitment.

Other

The following table reflects advisory and professional services fees and expense reimbursements paid to various affiliated shareholders and directors for the three and nine months ended September 30, 2022 and 2021:

	Three months ended September 30,		Nine months ended September 30,	
(In thousands)	2022	2021	2022	2021
Professional fees and reimbursements	$580	$679	$2,785	$2,995

See Note 4 and 5 for investments involving affiliated companies and additional related party transactions.

17. Commitments and Contingencies

Litigation

The Company is named as a defendant in various legal actions arising from claims made under insurance policies and contracts. Those actions are considered by the Company in estimating the losses and loss adjustment expense reserves. Also, from time to time, the Company is a defendant in various legal actions that relate to bad faith claims, disputes with third parties or that involve alleged errors and omissions. The Company records accruals for these items to the extent the losses are probable and reasonably estimable. Although the ultimate outcome of these matters cannot be determined at this time, based on present information, the availability of insurance coverage and advice received from outside legal counsel, the Company's management believes the resolution of any such matters will not, individually or in the aggregate, have a material adverse effect on the Company's Consolidated Balance Sheets, Consolidated Statements of Operations or Consolidated Statements of Cash Flows. During the nine months ended September 30, 2022 and 2021, the Company recorded no provision for various contingencies.

Indemnification

In conjunction with the sale of business assets and subsidiaries, the Company has provided indemnifications to certain of the buyers. Certain indemnifications cover typical representations and warranties related to the responsibilities to perform under the sales contracts. The amount of potential exposure covered by the indemnifications is difficult to determine because the indemnifications cover a variety of matters, operations and scenarios. Certain of these indemnifications have no time limit. At this time, the Company does not have reason to believe any such significant claims exist.

Unfunded Capital Commitment

During the nine months ended September 30, 2022, the Company entered into an agreement for limited partnership interests in Brewer Lane Ventures Fund II, L.P. As of September 30, 2022, the Company has unfunded capital commitment of $5.0 million.

18. Subsequent Events

The Company has evaluated subsequent events through November , 2022, the date financial statements were available to be issued, and through , 2022 as it relates to the reverse stock split and stock based compensation awards.

18. Subsequent Events (continued)

Reverse Stock Split

On September 23, 2022, our Board of Directors approved a 4-for-1 reverse stock split of our common stock. The stock split became effective , 2022. All share and per share information included in the accompanying unaudited condensed consolidated financial statements and notes to the unaudited condensed consolidated financial statements have been retroactively adjusted to reflect the stock split of the Company's common stock for all periods presented.

Stock Based Compensation Awards

On September 23, 2022, our Board of Directors approved our 2022 Long-Term Incentive Plan (the "2022 Plan"), which will become effective upon the date immediately preceding the date upon which the Registration Statement of which this prospectus forms a part is declared effective by the U.S. Securities and Exchange Commission. Shares equal to 8.5% of our issued and outstanding common stock immediately following the completion of this offering will be reserved for issuance under the 2022 Plan.

On September 23, 2022, our Board of Directors approved our 2022 Employee Stock Purchase Plan (the "ESPP"), which will become effective upon the date immediately preceding the date upon which the Registration Statement of which this prospectus forms a part is declared effective by the U.S. Securities and Exchange Commission. Shares equal to 1.0% of our issued and outstanding common stock immediately following the completion of this offering will be available for sale under the ESPP.

Shares

SKYWARD SPECIALTY INSURANCE GROUP, INC.

Common Stock

Joint Bookrunning Managers

Barclays **Keefe, Bruyette & Woods**

A Stifel Company

Joint Bookrunners

Piper Sandler **JMP Securities** **Truist Securities** **Raymond James**

A CITIZENS COMPANY

Co-Managers

Academy Securities **Siebert Williams Shank**

Through and including , 2022 (25 days after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect an unsold allotment or subscription.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth all expenses to be paid by Skyward Specialty Insurance Group, Inc. (the "Registrant"), incurred or to be incurred in connection with this offering. All amounts shown are estimates except for the SEC registration fee and the FINRA filing fee.

SEC registration fee	$ 9,270
FINRA filing fee	15,500
Exchange listing fee	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent and registrar fees	*
Miscellaneous expenses	*
Total	$ *

* To be provided by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's board of directors to grant indemnity to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities, including reimbursement for expenses incurred, arising under the Securities Act. The Registrant's amended and restated certificate of incorporation that will be in effect upon the closing of this offering permits the Registrant to indemnify its directors, officers, employees and other agents to the maximum extent permitted by the Delaware General Corporation Law.

The Registrant has entered into indemnification agreements with its directors and officers, whereby it have agreed to indemnify its directors and officers to the fullest extent permitted by law, subject to certain exceptions, including indemnification against expenses and liabilities incurred in legal proceedings to which the director or officer was, or is threatened to be made, a party by reason of the fact that such director or officer is or was a director, officer, employee or agent of the Registrant, provided that such director or officer acted in good faith and in a manner that the director or officer reasonably believed to be in, or not opposed to, the best interest of the Registrant. At present, there is no pending litigation or proceeding involving a director or officer of the Registrant regarding which indemnification is sought, nor is the registrant aware of any threatened litigation that may result in claims for indemnification.

The Registrant maintains insurance policies that indemnify its directors and officers against various liabilities arising under the Securities Act and the Exchange Act that might be incurred by any director or officer in his or her capacity as such.

The underwriting agreement filed as Exhibit 1.1 to this registration statement will provide for indemnification by the underwriters of the Registrant, its officers and directors and the selling stockholders for certain liabilities arising under the Securities Act or otherwise.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

Since January 1, 2019, the Registrant has issued the following unregistered securities:

(a) Sale of Series A Preferred Stock

In April 2020, the Registrant entered into a series of subscription agreements, pursuant to which it issued and sold an aggregate of 2,000,000 shares of its Series A convertible preferred stock at a price per share of $50.00, for an aggregate purchase price of approximately $100 million.

No broker-dealers were involved in the foregoing issuances of securities. The securities described in this section (a) of Item 15 were issued to investors in reliance upon the exemption from the registration requirements of the Securities Act, as set forth in Section 4(a)(2) under the Securities Act and Regulation D promulgated thereunder relative to transactions by an issuer not involving any public offering, to the extent an exemption from such registration was required. All holders of securities described above represented to the Registrant in connection with their purchase or issuance that they were accredited investors and were acquiring the securities for their own account for investment purposes only and not with a view to, or for sale in connection with, any distribution thereof and that they could bear the risks of the investment and could hold the securities for an indefinite period of time. The holders received written disclosures that the securities had not been registered under the Securities Act and that any resale must be made pursuant to a registration statement or an available exemption from such registration.

(b) Grants of Stock Awards and Issuance of Shares

During the period beginning January 1, 2019 and ending September 30, 2022, pursuant to the Company's 2016 Program, we issued 67,232 shares of restricted stock, along with granting 67,232 restricted matched shares, at a weighted average price of $2.99 per share to certain employees. During the period beginning January 1, 2019 and ending September 30, 2022, pursuant to the Company's 2020 Long-Term Incentive Plan, we granted 468,124 shares of restricted stock and restricted stock units at a weighted average price of $3.15 per share to certain employees and directors. During the period beginning January 1, 2019 and ending September 30, 2022, under the 2020 Rights Offering, we issued 2,000,000 preferred shares at a price of $50 per share to certain individuals and entities. During the period beginning January 1, 2019 and ending September 30, 2022, zero shares of common stock were issued upon the exercise of stock options.

The issuances of the securities described above were exempt from registration pursuant to Section 4(a)(2) of the Securities Act as transactions by an issuer not involving a public offering or Rule 701 promulgated under the Securities Act as transactions pursuant to compensatory benefit plans. The shares of common stock issued upon the exercise of options are deemed to be restricted securities for purposes of the Securities Act.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits.

Exhibit Number	Exhibit Description
1.1*	Form of Underwriting Agreement.
3.1	Amended and Restated Certificate of Incorporation, as currently in effect, with amendments.
3.2	Amended and Restated Bylaws, as currently in effect.
3.3	Amended and Restated Certificate of Incorporation, to be effective immediately prior to closing of this offering.
3.4	Amended and Restated Bylaws, to be effective immediately prior to closing of this offering.
4.1	Amended and Restated Stockholders' Agreement, dated March 12, 2014, by and among the Registrant and the stockholders listed therein.
5.1*	Opinion of DLA Piper LLP (US).
10.1+	Share Purchase and Award Agreement and form of agreements thereunder in use before 2016.
10.2+	2016 Equity Incentive Program and form of award agreements thereunder.
10.3+	2020 Long Term Incentive Plan and form of award agreements thereunder.
10.4+	Skyward Specialty Insurance Group, Inc. 2022 Long-Term Incentive Plan and form of stock option agreement thereunder.
10.5+	Skyward Specialty Insurance Group, Inc. 2022 Employee Stock Purchase Plan.
10.6+	Form of Indemnification Agreement.

Exhibit Number	Exhibit Description
10.7+	Employment Agreement, dated May 22, 2020, by and between the Registrant and Andrew Robinson, with Amendment No. 1 dated January 1, 2022.
10.8+	Form of Promissory Note.
10.9	Lease Agreement by and between Memorial City Towers, Ltd. and Southwest Insurance Partners, Inc., dated December 1, 2008, with Amendment No. 1, dated February 16, 2009, Lease Commencement Agreement, dated August 24, 2009, Supplemental Parking Agreement, dated September 24, 2009, Amendment No. 2, dated August 17, 2010, Supplemental Letter Agreement dated August 26, 2010, Supplemental Lease Commencement Agreement, dated November 8, 2010, Amendment No. 3, dated February 20, 2013, Supplemental Commencement Agreement, dated September 25, 2013, Amendment No. 4, dated April 21, 2015, Amendment No. 5, dated July 27, 2015, Supplemental Commencement Agreement, dated October 7, 2015, Supplemental Commencement Agreement, dated April 7, 2016, Amendment No. 6, dated May 9, 2016, Supplemental Commencement Agreement, dated February 24, 2017, Amendment No. 7, dated November 6, 2017, and Supplemental Commencement Agreement, dated October 3, 2018.
10.10	Credit Agreement by and between Prosperity Bank and Houston International Insurance Group, Ltd., dated December 11, 2019.
10.11	Management Services Agreement by and between Westaim HIIG GP Inc. and Houston International Insurance Group, Ltd., dated August 1, 2019.
10.12	Surety Excess of Loss Reinsurance Contract by and among Everest Reinsurance Company, Houston Specialty Insurance Company, Imperium Insurance Company, Great Midwest Insurance Company, Oklahoma Specialty Insurance Company and Boston Indemnity Company, Inc., dated June 1, 2021.
10.13†	Consulting Agreement by and between Stephen Way and Skyward Specialty Insurance Group, Inc., dated January 1, 2022.
10.14†	Loss Portfolio Transfer and Adverse Development Retrocession Agreement by and among R&Q Bermuda (SAC) Limited acting in respect of the HIIG Segregated Account, HIIG Re, Houston Specialty Insurance Company, Imperium Insurance Company, and Great Midwest Insurance Company, dated April 1, 2020.
10.15†	Investment Management Agreement by and among Arena Investors, LP, Houston Specialty Insurance Company, Imperium Insurance Company, and Great Midwest Insurance Company, dated November 6, 2015, with a Supplemental Acknowledgement dated January 13, 2016, a Supplemental Acknowledgement dated May 17, 2021, Supplemental Acknowledgement B dated May 17, 2021, an Amendment Agreement effective March 15, 2022, and a Supplemental Acknowledgement dated March 23, 2022.
21.1	List of Subsidiaries of the Registrant.
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
23.2*	Consent of DLA Piper LLP (US) (included in Exhibit 5.1).
24.1	Power of Attorney (included on signature page of this registration statement).
107	Filing Fee Table

* To be filed by amendment.

\+ Management contract or compensatory plan or arrangement.

† Portions of this exhibit have been omitted for confidentiality purposes.

(b) *Financial Statement Schedules*. All financial statement schedules are omitted because the information called for is not required or is shown either in the consolidated financial statements or in the notes thereto.

ITEM 17. UNDERTAKINGS.

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act, may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933, as amended, and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this registration statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in Houston, Texas, on the 14th day of November, 2022.

Skyward Specialty Insurance Group, Inc.

/s/ Andrew Robinson

By: Andrew Robinson
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Andrew Robinson, Mark Haushill and Leslie Shaunty, and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution and full power to act without the other, for him or her and to act in his or her name, place and stead, in any and all capacities, to execute the Registration Statement on Form S-1 of Skyward Specialty Insurance Group, Inc. and any or all amendments (including post-effective amendments) thereto and any new registration statement with respect to the offering contemplated hereby filed pursuant to Rule 462(b) of the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises hereby ratifying and confirming all that said attorneys-in-fact and agents, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Andrew Robinson Andrew Robinson	Chief Executive Officer and Director (Principal Executive Officer)	November 14, 2022
/s/ Mark Haushill Mark Haushill	Chief Financial Officer (Principal Financial and Accounting Officer)	November 14, 2022
/s/ J. Cameron MacDonald J. Cameron MacDonald	Director	November 14, 2022
/s/ Robert Creager Robert Creager	Director	November 14, 2022
/s/ Marcia Dall Marcia Dall	Director	November 14, 2022
/s/ James Hays James Hays	Director	November 14, 2022
/s/ Robert Kittel Robert Kittel	Director	November 14, 2022
/s/ Katharine Terry Katharine Terry	Director	November 14, 2022

Exhibit 3.1

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
SKYWARD SPECIALTY INSURANCE GROUP, INC.
a Delaware corporation

(**Pursuant to Sections 242 and 245 of the**
General Corporation Law of the State of Delaware)

Skyward Specialty Insurance Group, Inc., (the "***Corporation***") a corporation organized and existing under and by virtue of the provisions of the General Corporation Law of the State of Delaware (the "***DGCL***"),

DOES HEREBY CERTIFY:

1. That the name of this Corporation is Skyward Specialty Insurance Group, Inc., which was originally incorporated pursuant to the DGCL on January 3, 2006 under the name Lightyear Delos Acquisition Corp.

2. The Amended and Restated Certificate of Incorporation of this Corporation attached hereto as Exhibit A, which is incorporated herein by this reference, and which restates, integrates and further amends the provisions of the Certificate of Incorporation of this Corporation, as previously amended and restated, has been duly adopted by this Corporation's Board of Directors and by the stockholders in accordance with Sections 242 and 245 of the DGCL, with the approval of this Corporation's stockholders having been given by written consent without a meeting in accordance with Section 228 of the DGCL.

IN WITNESS WHEREOF, this Corporation has caused this Amended and Restated Certificate of Incorporation to be signed by its duly authorized officer and the foregoing facts stated herein are true and correct.

[*Remainder of page intentionally left blank*]

IN WITNESS WHEREOF, this Amended and Restated Certificate of Incorporation has been executed by a duly authorized officer of this Corporation on this ___ day of _____, 2022.

By: _____
Name: Andrew Robinson
Title: Chief Executive Officer

[Signature Page to Amended and Restated Certificate of Incorporation]

EXHIBIT A

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
SKYWARD SPECIALTY INSURANCE GROUP, INC.
a Delaware corporation

ARTICLE I

The name of the corporation is Skyward Specialty Insurance Group, Inc. (hereinafter referred to as the "***Corporation***").

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is 251 Little Falls Drive, Wilmington, DE 19808, County of New Castle. The name of the Corporation's registered agent at such address is Corporation Service Company.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware (the "***DGCL***") and to possess and employ all powers and privileges now or hereafter granted or available under the laws of the State of Delaware to such corporations.

ARTICLE IV

A. The total number of shares of capital stock of all classes that the Corporation shall have authority to issue is 510,000,000 shares, consisting of: 500,000,000 shares of common stock, $0.01 par value per share ("***Common Stock***") and 10,000,000 shares of preferred stock, par value $0.01 per share ("***Preferred Stock***").

B. Except as otherwise restricted by this Amended and Restated Certificate of Incorporation (this "***Certificate***"), the Corporation is authorized to issue, from time to time, all or any portion of the capital stock of the Corporation which may have been authorized but not issued, to such person or persons and for such lawful consideration as it may deem appropriate, and generally in its absolute discretion to determine the terms and manner of any disposition of such authorized but unissued capital stock. Any and all such shares issued for which the full consideration has been paid or delivered shall be deemed fully paid shares of capital stock, and the holder of such shares shall not be liable for any further call or assessment or any other payment thereon.

C. The designations and the powers, preferences and rights and qualifications, limitations or restrictions of the shares of each class of stock are as follows:

1. Common Stock

(a) General. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to the rights of the holders of any series of Preferred Stock then outstanding.

(b) Voting. Except as otherwise provided herein, the holders of the Common Stock are entitled to one (1) vote for each share of Common Stock held at all meetings of stockholders; provided, however, that, except as otherwise required by law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to this Certificate that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Certificate or pursuant to the DGCL. There shall be no cumulative voting. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by (in addition to any vote of the holders of one or more series of Preferred Stock that may be required, if any Preferred Stock is then outstanding) the affirmative vote of the holders of shares of capital stock of the Corporation representing a majority of all outstanding shares of capital stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the DGCL.

2. Preferred Stock. The shares of Preferred Stock shall initially be undesignated and may be issued from time to time in one or more additional series by the Board of Directors. The Board of Directors is hereby authorized, subject to any limitations prescribed by law, to determine or alter the rights, preferences, privileges and restrictions granted to or imposed upon a wholly-unissued series of Preferred Stock, and the number of shares constituting any such series and the designation thereof, or any of them; and to increase or decrease the number of shares constituting any such series and the designation thereof, or any of them; and to increase or decrease the number of shares of any series subsequent to the issue of shares of that series, but, in respect of decreases, not below the number of shares of such series then outstanding. In case the number of shares of any series should be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolutions originally fixing the number of shares of such series. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the outstanding shares of Common Stock without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the certificate or certificates establishing any series of Preferred Stock.

ARTICLE V

The Corporation is to have perpetual existence.

ARTICLE VI

The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

A. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authority expressly conferred upon them by law or by this Certificate or the bylaws of the Corporation, as the same may be amended from time to time (the "***Bylaws***"), the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

B. The directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

C. Subject to the rights of the holders of any series of Preferred Stock, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

D. Subject to the rights of the holders of any series of Preferred Stock then outstanding, special meetings of stockholders of the Corporation may be called only by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption), the Chairperson of the Board or the Chief Executive Officer.

E. The number of directors shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board of Directors for adoption). Beginning immediately following the consummation of the Corporation's initial public offering of its Common Stock pursuant to an effective registration statement under the Securities Act of 1933, as amended, (the "***Initial Public Offering***"), the directors shall, by resolution of the Board of Directors, be divided into three classes, hereby designated Class I, Class II and Class III. The term of office of the initial Class I directors shall expire at the first annual meeting of stockholders of the Corporation following the Initial Public Offering, the term of office of the initial Class II directors shall expire at the second annual meeting of stockholders of the Corporation following the Initial Public Offering, and the term of office of the initial Class III directors shall expire at the third annual meeting of stockholders of the Corporation following the Initial Public Offering. At each annual meeting of stockholders of the Corporation following the Initial Public Offering, directors elected to replace those of a Class whose terms expire at such annual meeting shall be elected for a term expiring at the third succeeding annual meeting of stockholders of the Corporation after such election. All directors shall hold office until the expiration of the term for which elected, and until their respective successors have been duly elected and qualified, except in the case of the death, resignation, or removal of any director. Nothing in this Certificate shall preclude a director from serving consecutive terms.

F. Subject to the rights of the holders of any series of Preferred Stock then outstanding, (i) newly created directorships resulting from any increase in the authorized number of directors and (ii) any vacancies in the Board of Directors resulting from death, resignation, disqualification, removal from office, or other cause may be filled only by the Board of Directors (and not by stockholders), provided that a quorum is then in office and present, or by a majority of the directors then in office, if less than a quorum is then in office, or by the sole remaining director. A director elected to fill a vacancy shall be elected for the unexpired term of such director's predecessor in office and until such director's successor is duly elected and qualified, or until such director's earlier death, resignation, or removal. After the Initial Public Offering, a director chosen to fill a position resulting from an increase in the number of directors shall hold office until the next election of the class for which such director shall have been chosen, and until such director's successor is duly elected and qualified, or until such director's earlier death, resignation, or removal. No decrease in the authorized number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

G. Subject to the rights of the holders of any series of Preferred Stock then outstanding, and notwithstanding any other provision of this Certificate, directors may be removed from office only for cause and only by the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class. Vacancies in the Board of Directors resulting from such removal shall be filled as set forth above under Article VI, Part F.

H. Subject to the rights of holders of any series of Preferred Stock, advance notice of stockholder nominations for election of directors and of business to be brought by stockholders before any meeting of stockholders of the Corporation shall be given in the manner provided by the Bylaws of the Corporation.

ARTICLE VII

No director shall be personally liable to the Corporation or its stockholders for monetary damages for breach of such director's fiduciary duty as a director of the Corporation, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for any acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL hereafter is amended to authorize further elimination or limitation of the liability of directors, then the liability of a director of the Corporation, in addition to the limitation on personal liability provided herein, shall be limited to the fullest extent permitted by the amended DGCL. Any repeal or modification of this paragraph by the stockholders of the Corporation shall be prospective only and shall not adversely affect any limitation on the personal liability of a director of the Corporation existing at the time of such repeal or modification.

The Corporation shall indemnify any director or officer to the fullest extent permitted by Delaware law.

ARTICLE VIII

All of the powers of the Corporation, insofar as the same may be lawfully vested by this Certificate in the Board of Directors, are hereby conferred upon the Board of Directors.

ARTICLE IX

The Board of Directors is expressly empowered to adopt, amend or repeal the Bylaws. Any adoption, amendment or repeal of the Bylaws by the Board of Directors shall require the approval of a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any resolution providing for adoption, amendment or repeal is presented to the Board of Directors). The stockholders shall also have power to adopt, amend or repeal the Bylaws. Subject to the rights of the holders of any series of Preferred Stock then outstanding, any adoption, amendment or repeal of Bylaws by the stockholders shall require, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this Certificate, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

ARTICLE X

The Corporation reserves the right to amend or repeal any provision contained in this Certificate in the manner prescribed by the laws of the State of Delaware and all rights conferred upon stockholders are granted subject to this reservation; provided, that, notwithstanding any other provision of this Certificate or any provision of law which might otherwise permit a lesser vote or no vote, but subject to the rights of the holders of any series of Preferred Stock then outstanding and in addition to any vote of the holders of any class or series of the stock of this Corporation required by law or by this Certificate, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal, or adopt any provision of this Certificate inconsistent with, Article VI, Article VII, Article VIII, this Article X or Article XII.

ARTICLE XI

If any provision of this Certificate becomes or is declared on any ground by a court of competent jurisdiction to be illegal, unenforceable or void, portions of such provision, or such provision in its entirety, to the extent necessary, shall be severed from this Certificate, and the court will replace such illegal, void or unenforceable provision of this Certificate with a valid and enforceable provision that most accurately reflects the Corporation's intent, in order to achieve, to the maximum extent possible, the same economic, business and other purposes of the illegal, void or unenforceable provision. The balance of this Certificate shall be enforceable in accordance with its terms.

ARTICLE XII

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the Corporation, (b) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, employee, agent or stockholder of the Corporation to the Corporation or the Corporation's stockholders, (c) any action asserting a claim arising pursuant to any provision of the DGCL, this Certificate or the Bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware or (d) any action asserting a claim governed by the internal affairs doctrine, in each such case subject to such Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein. In addition, unless the Corporation consents in writing to the selection of an alternative forum, the U.S. federal district courts shall, to the fullest extent permitted by law, be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended. Notwithstanding anything herein to the contrary, this Article XII shall not apply to suits brought to enforce a duty or liability created by the Securities Exchange Act of 1934, as amended (the "***Exchange Act***"), or the rules and regulations under the Exchange Act, or any other claim for which the U.S. federal courts have exclusive jurisdiction. To the fullest extent permitted by applicable law, any person or entity purchasing or otherwise acquiring or holding any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article XII.

* * *

Exhibit 3.2

AMENDED AND RESTATED BYLAWS

OF

SKYWARD SPECIALTY INSURANCE GROUP, INC.

Effective as of _____

ARTICLE I
CORPORATE OFFICES

1.1 Registered Office. The address of the registered office of Skyward Specialty Insurance Group, Inc. (the "***Corporation***") in the State of Delaware, and the name of its registered agent at such address, shall be as set forth in the Corporation's certificate of incorporation, as the same may be amended and/or restated from time to time (the "***Certificate of Incorporation***")

1.2 Other Offices. The Corporation may have an office or offices other than its registered office at such place or places, either within or outside the State of Delaware, as the Board of Directors of the Corporation (the "***Board***") may from time to time determine or the business of the Corporation may require.

ARTICLE II
STOCKHOLDERS

2.1 Place of Meetings. All meetings of stockholders shall be held at such place (if any) within or without the State of Delaware as may be determined from time to time by the Board or, if not determined by the Board, by the Chairperson of the Board, the President or the Chief Executive Officer; provided that the Board may, in its sole discretion, determine that any meeting of stockholders shall not be held at any place but shall be held solely by means of remote communication in accordance with Section 2.13.

2.2 Annual Meeting. The annual meeting of stockholders for the election of directors and for the transaction of such other business as may properly be brought before the meeting shall be held on a date to be fixed by the Board at a time to be fixed by the Board and stated in the notice of the meeting.

2.3 Special Meetings. Subject to the Certificate of Incorporation, the rights of the holders of any series of preferred stock then outstanding and to the requirements of applicable law, special meetings of the stockholders of the Corporation may be called only by the Board acting pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption), the Chairperson of the Board, or the Chief Executive Officer and may not be called by any other person or persons. Any business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of the meeting.

2.4 Notice of Meetings.

(a) Written notice of each meeting of stockholders, whether annual or special, shall be given not less than 10 nor more than 60 days before the date on which the meeting is to be held, to each stockholder entitled to vote at such meeting as of the record date fixed by the Board for determining the stockholders entitled to notice of the meeting, except as otherwise provided herein or required by the General Corporation Law of the State of Delaware (the "***DGCL***") or the Certificate of Incorporation. The notice of any meeting shall state the place, if any, date and hour of the meeting, and the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting. The notice of a special meeting shall state, in addition, the purpose or purposes for which the meeting is called.

(b) Notice to stockholders shall be delivered in writing or in any other manner permitted by the DGCL. If mailed, such notice shall be delivered by postage prepaid envelope directed to each stockholder at such stockholder's address as it appears in the records of the Corporation and shall be deemed given when deposited in the United States mail. Without limiting the manner by which notices of meetings otherwise may be given effectively to stockholders, any such notice may be given by electronic transmission in the manner provided in Section 232 of the DGCL. An affidavit of the secretary or an assistant secretary or of the transfer agent or other agent of the Corporation that the notice has been given by personal delivery, by mail, or by a form of electronic transmission shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

(c) Notice of any meeting of stockholders need not be given to any stockholder if waived by such stockholder either in a writing signed by such stockholder or by electronic transmission, whether such waiver is given before or after such meeting is held. If such a waiver is given by electronic transmission, the electronic transmission must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the stockholder.

2.5 Voting List. The officer who has charge of the stock ledger of the Corporation shall prepare, at least 10 days before each meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting; the list shall reflect the stockholders entitled to vote as of the tenth day before the meeting date, arranged in alphabetical order for each class of stock and showing the mailing address of each stockholder and the number of shares registered in the name of each stockholder. The Corporation shall not be required to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, for a period of at least 10 days prior to the meeting: (a) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, (b) during ordinary business hours at the principal place of business of the Corporation or (c) in any other manner provided by law. If the meeting is to be held at a place, the list shall be produced and kept at the time and place of the meeting during the whole time of the meeting, and may be examined by any stockholder who is present. If the meeting is to be held solely by means of remote communication, such list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. The stock ledger shall be the only evidence as to the stockholders who are entitled to examine the list required by this Section 2.5 or to vote in person or by proxy at any meeting of stockholders.

2.6 Quorum. Except as otherwise provided by law or these Bylaws, the holders of a majority of the shares of the capital stock of the Corporation entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business. Where a separate class vote by a class or classes or series is required, a majority of the shares of such class or classes or series present in person or represented by proxy shall constitute a quorum entitled to take action with respect to that vote on that matter.

2.7 Adjournments. Any meeting of stockholders may be adjourned to any other time and to any other place at which a meeting of stockholders may be held under these Bylaws by the chairperson of the meeting or, in the absence of such person, by any officer entitled to preside at or to act as secretary of such meeting, or by the holders of a majority of the shares of stock present or represented at the meeting and entitled to vote, although less than a quorum. When a meeting is adjourned to another place, date or time, written notice need not be given of the adjourned meeting if the date, time and place, if any, thereof, and the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting, are announced at the meeting at which the adjournment is taken; provided, however, that if the date of any adjourned meeting is more than 30 days after the date for which the meeting was originally noticed, or if the Board fixes a new record date for determining the stockholders entitled to vote at the adjourned meeting in accordance with Section 5.5, written notice of the place, if any, date and time of the adjourned meeting and the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting, shall be given in conformity herewith. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting.

2.8 Voting and Proxies. Each stockholder shall have one vote for each share of stock entitled to vote held of record by such stockholder and a proportionate vote for each fractional share so held, unless otherwise provided by law or in the Certificate of Incorporation. Each stockholder of record entitled to vote at a meeting of stockholders may vote in person or may authorize any other person or persons to vote or act for such stockholder by a written proxy executed by the stockholder or the stockholder's authorized agent or by an electronic transmission permitted by law and delivered to the Secretary of the Corporation. Any copy, facsimile transmission or other reliable reproduction of the writing or electronic transmission created pursuant to this section may be substituted or used in lieu of the original writing or electronic transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile transmission or other reproduction shall be a complete reproduction of the entire original writing or electronic transmission.

2.9 Action at Meeting.

(a) At any meeting of stockholders for the election of one or more directors at which a quorum is present, the election shall be determined by a plurality of the votes cast by the stockholders entitled to vote at the election.

(b) All other matters shall be determined by a majority in voting power of the shares present in person or represented by proxy and entitled to vote on the matter (or if there are two or more classes of stock entitled to vote as separate classes, then in the case of each such class, a majority of the shares of each such class present in person or represented by proxy and entitled to vote on the matter shall decide such matter), provided that a quorum is present, except when a different vote is required by express provision of law, the Certificate of Incorporation or these Bylaws.

(c) All voting, including on the election of directors, but excepting where otherwise required by law, may be by a voice vote; provided, that upon demand therefor by a stockholder entitled to vote or the stockholder's proxy, a vote by ballot shall be taken. Each ballot shall state the name of the stockholder or proxy voting and such other information as may be required under the procedure established for the meeting. The Corporation may, and to the extent required by law, shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as an alternate inspector to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting may, and to the extent required by law, shall, appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath to faithfully execute the duties of inspector with strict impartiality and according to the best of his ability.

2.10 Stockholder Business (Other Than the Election of Directors).

(a) Only such business (other than nominations for election of directors, which is governed by Section 3.16 of these Bylaws) shall be conducted as shall have been properly brought before an annual meeting. To be properly brought before an annual meeting, business must be either (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board, (ii) otherwise properly brought before the meeting by or at the direction of the Board, or (iii) otherwise properly brought before the meeting by a stockholder who (A) is a stockholder of record (and, with respect to any beneficial owner, if different, on whose behalf such business is proposed, only if such beneficial owner is the beneficial owner of shares of the Corporation) both at the time of giving the notice provided for in this Section 2.10 and at the time of the meeting, (B) is entitled to vote at the meeting and (C) has complied with the notice procedures set forth in this Section 2.10 as to such business. For any business to be properly brought before an annual meeting by a stockholder (other than nominations for election of directors, which is governed by Section 3.16 of these Bylaws), it must be a proper matter for stockholder action under the DGCL, and the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be in writing and must be received at the Corporation's principal executive offices not later than ninety (90) days nor earlier than one hundred twenty (120) days prior to the first anniversary of the date of the preceding year's annual meeting as first specified in the Corporation's notice of meeting (without regard to any postponements or adjournments of such meeting after such notice was first sent), provided, however, that if no annual meeting was held in the previous year or the date of the annual meeting is advanced by more than thirty (30) days, or delayed (other than as a result of adjournment) by more than thirty (30) days from the anniversary of the previous year's annual meeting, notice by the stockholder to be timely must be received not later than the close of business on the later of the ninetieth (90^{th}) day prior to such annual meeting or the tenth (10^{th}) day following the date on which public announcement of the date of such meeting is first made. "***Public announcement***" for purposes hereof shall have the meaning set forth in Section 3.16(c) of these Bylaws. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. For business to be properly brought before a special meeting by a stockholder, the business must be limited to the purpose or purposes set forth in a request under Section 2.3.

(b) A stockholder's notice to the Secretary of the Corporation shall set forth (i) as to each matter the stockholder proposes to bring before the annual meeting, a brief description of the business desired to be brought before the annual meeting and the text of the proposal or business, including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws of the Corporation, the language of the proposed amendment, and (ii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is being made, and any of their respective affiliates or associates (each within the meaning of Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the "***Exchange Act***")) or others acting in concert therewith (each, a "***Proposing Person***"), (A) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business and of any other Proposing Person, (B) the class or series and number of shares of the Corporation which are owned beneficially and of record by the stockholder and any other Proposing Person as of the date of the notice, and a representation that the stockholder will notify the Corporation in writing within five (5) business days after the record date for voting at the meeting of the class or series and number of shares of the Corporation owned beneficially and of record by the stockholder and any other Proposing Person as of the record date for voting at the meeting, (C) a representation that the stockholder intends to appear in person or by proxy at the meeting to propose the business specified in the notice, (D) any material interest of the stockholder and any other Proposing Person in such business, (E) the following information regarding the ownership interests of the stockholder and any other Proposing Person which shall be supplemented in writing by the stockholder not later than ten (10) days after the record date for voting at the meeting to disclose such interests as of such record date: (1) a description of any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation or with a value derived in whole or in part from the value of any class or series of shares of the Corporation, any derivative or synthetic arrangement having the characteristics of a long position in any class or series of shares of the Corporation, or any contract, derivative, swap or other transaction or series of transactions designed to produce economic benefits and risks that correspond substantially to the ownership of any class or series of shares of the Corporation, including due to the fact that the value of such contract, derivative, swap or other transaction or series of transactions is determined by reference to the price, value or volatility of any class or series of shares of the Corporation, whether or not such instrument, contract or right shall be subject to settlement in the underlying class or series of shares of the Corporation, through the delivery of cash or other property, or otherwise, and without regard to whether the stockholder of record or any other Proposing Person may have entered into transactions that hedge or mitigate the economic effect of such instrument, contract or right (a "***Derivative Instrument***") directly or indirectly owned beneficially by such stockholder or other Proposing Person, and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Corporation; (2) a description of any proxy, contract, arrangement, understanding, or relationship pursuant to which such stockholder or other Proposing Person has a right to vote any shares of any security of the Corporation; (3) a description of any agreement, arrangement, understanding, relationship or otherwise, including any repurchase or similar so-called "stock borrowing" agreement or arrangement, engaged in, directly or indirectly, by such stockholder or other Proposing Person, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of any class or series of the shares of the Corporation by, manage the risk of share price changes for, or increase or decrease the voting power of, such stockholder or other Proposing Person with respect to any class or series of the shares of the Corporation, or which provides, directly or indirectly, the opportunity to profit or share in any profit derived from any decrease in the price or value of any class or series of the shares of the Corporation ("***Short Interests***"); (4) a description of any rights to dividends on the shares of the Corporation owned beneficially by such stockholder or other Proposing Person that are separated or separable from the underlying shares of the Corporation; (5) a description of any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder or other Proposing Person is a general partner or, directly or indirectly, beneficially owns an interest in a general partner; (6) a description of any performance-related fees (other than an asset-based fee) to which such stockholder or other Proposing Person is entitled based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments, if any, as of the date of such notice, including, without limitation, any such interests held by members of such stockholder's or other Proposing Person's immediate family sharing the same household; (7) a description of any significant equity interests or any Derivative Instruments or Short Interests in any principal competitor of the Corporation held by such stockholder or other Proposing Person; and (8) a description of any direct or indirect interest of such stockholder or other Proposing Person in any contract with the Corporation, any affiliate of the Corporation or any principal competitor of the Corporation (including, in any such case, any employment agreement, collective bargaining agreement or consulting agreement), and (F) any other information relating to such stockholder or other Proposing Person, if any, that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder.

(c) Unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual meeting of stockholders to present the proposed business, such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this section, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or authorized by a writing executed by such stockholder (or a reliable reproduction or electronic transmission of the writing) delivered to the Corporation prior to the making of such proposal at such meeting by such stockholder stating that such person is authorized to act for such stockholder as proxy at the meeting of stockholders.

(d) Notwithstanding the foregoing provisions of this Section 2.10, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.10; *provided however*, that any references in this Section 2.10 to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements applicable to proposals as to any business to be considered pursuant to this Section 2.10. Nothing in this Section 2.10 shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (ii) of the holders of any series of preferred stock if and to the extent provided for under law, the Certificate of Incorporation or these Bylaws.

(e) Notwithstanding any provisions to the contrary, the notice requirements set forth in subsections (a) and (b) above shall be deemed satisfied by a stockholder if the stockholder has notified the Corporation of the stockholder's intention to present a proposal at an annual meeting in compliance with applicable rules and regulations promulgated under the Exchange Act and such stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting.

2.11 Conduct of Business. At every meeting of the stockholders, the Chairperson of the Board, or, in his absence, the Chief Executive Officer, or, in his absence, such other person as may be appointed by the Board, shall act as chairperson. The Secretary of the Corporation or a person designated by the chairperson of the meeting shall act as secretary of the meeting. Unless otherwise approved by the chairperson of the meeting, attendance at the stockholders' meeting is restricted to stockholders of record, persons authorized in accordance with Section 2.8 of these Bylaws to act by proxy, and officers of the Corporation.

The chairperson of the meeting shall call the meeting to order, establish the agenda, and conduct the business of the meeting in accordance therewith or, at the chairperson's discretion, the business of the meeting may be conducted otherwise in accordance with the wishes of the stockholders in attendance. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

The chairperson shall also conduct the meeting in an orderly manner, rule on the precedence of, and procedure on, motions and other procedural matters, and exercise discretion with respect to such procedural matters with fairness and good faith toward all those entitled to take part. Without limiting the foregoing, the chairperson may (a) restrict attendance at any time to bona fide stockholders of record and their proxies and other persons in attendance at the invitation of the presiding officer or Board, (b) restrict use of audio or video recording devices at the meeting, and (c) impose reasonable limits on the amount of time taken up at the meeting on discussion in general or on remarks by any one stockholder. Should any person in attendance become unruly or obstruct the meeting proceedings, the chairperson shall have the power to have such person removed from the meeting. Notwithstanding anything in the Bylaws to the contrary, no business shall be conducted at a meeting except in accordance with the procedures set forth in Section 2.10, this Section 2.11 and Section 3.12. The chairperson of the meeting, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the provisions of Section 2.10, this Section 2.11 and Section 3.12, and if he or she should so determine that any proposed nomination or business is not in compliance with such sections, he or she shall so declare to the meeting that such defective nomination or proposal shall be disregarded.

2.12 Stockholder Action Without Meeting. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may be effected by unanimous consent in writing by the stockholders; provided, however, that any action required or permitted to be taken by the holders of preferred stock, voting separately as a series or separately as a class with one or more other such series, may be taken without a meeting, without prior notice and without a vote, to the extent expressly so provided by the applicable certificate of designation relating to such series of preferred stock.

2.13 Meetings by Remote Communication. If authorized by the Board, and subject to such guidelines and procedures as the Board may adopt, stockholders and proxy holders not physically present at a meeting of stockholders may, by means of remote communication, participate in the meeting and be deemed present in person and vote at the meeting, whether such meeting is to be held at a designated place or solely by means of remote communication, provided that (a) the Corporation shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxy holder, (b) the Corporation shall implement reasonable measures to provide such stockholders and proxy holders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings, and (c) if any stockholder or proxy holder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action shall be maintained by the Corporation.

ARTICLE III
BOARD OF DIRECTORS

3.1 General Powers. The business and affairs of the Corporation shall be managed by or under the direction of a Board, who may exercise all of the powers of the Corporation except as otherwise provided by law or the Certificate of Incorporation. In the event of a vacancy on the Board, the remaining directors, except as otherwise provided by law, may exercise the powers of the full Board until the vacancy is filled.

3.2 Election. Subject to the rights of the holders of any series of preferred stock to elect directors under specified circumstances, members of the Board shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote in the election of directors; *provided that*, whenever the holders of any class or series of capital stock of the Corporation are entitled to elect one or more directors pursuant to the provisions of the Certificate of Incorporation (including, but not limited to, any duly authorized certificate of designation), such directors shall be elected by a plurality of the votes of such class or series present in person or represented by proxy at the meeting and entitled to vote in the election of such directors. Elections of directors need not be by written ballot.

3.3 Number and Term. Subject to the rights of the holders of any series of preferred stock to elect directors under specified circumstances, the number of directors shall initially be eight (8) and, thereafter, shall be fixed from time to time exclusively by the Board pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption).

3.4 Resignations. Any director may resign at any time upon notice given in writing or by electronic transmission to the Board, the Chairperson of the Board, the Chief Executive Officer of the Corporation or the Secretary. The resignation shall take effect at the time specified therein, and if no time is specified, at the time of its receipt. The acceptance of a resignation shall not be necessary to make it effective unless otherwise expressly provided in the resignation.

3.5 Removal. Subject to the rights of the holders of any series of preferred stock to elect directors under specified circumstances, directors may only be removed for cause and only upon the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

3.6 Vacancies and Newly Created Directorships. Except as otherwise provided by applicable law, vacancies occurring in any directorship (whether by death, resignation, retirement, disqualification, removal or other cause) and newly created directorships resulting from any increase in the number of directors shall be filled in accordance with the Certificate of Incorporation. Any director elected to fill a vacancy or newly created directorship shall hold office until the next election of the class for which such director shall have been chosen and until his or her successor shall be duly elected and qualified, or until his or her earlier death, resignation, retirement, disqualification or removal.

3.7 Regular Meetings. Regular meetings of the Board may be held without notice at such time and place, either within or without the State of Delaware, as shall be determined from time to time by the Board; *provided that* any director who is absent when such a determination is made shall be given notice of the determination. A regular meeting of the Board may be held without notice immediately after and at the same place as the annual meeting of stockholders.

3.8 Special Meetings. Special meetings of the Board may be called by the Chairperson of the Board, the Chief Executive Officer, the President or a majority of the directors then in office and may be held at any time and place, within or without the State of Delaware.

3.9 Notice of Special Meetings. Notice of any special meeting of directors shall be given to each director by whom it is not waived by the Secretary or by the officer or one of the directors calling the meeting. Notice shall be duly given to each director by (a) giving notice to such director in person or by telephone, electronic transmission or voice message system at least 24 hours in advance of the meeting, (b) sending a facsimile to such director's last known facsimile number, or delivering written notice by hand to such director's last known business or home address, at least 24 hours in advance of the meeting, or (c) mailing written notice to such director's last known business or home address at least three days in advance of the meeting. A notice or waiver of notice of a meeting of the Board need not specify the purposes of the meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

3.10 Participation in Meetings by Telephone Conference Calls or Other Methods of Communication. Directors or any members of any committee designated by the directors may participate in a meeting of the Board or such committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation by such means shall constitute presence in person at such meeting.

3.11 Quorum; Adjournment. A majority of the total number of authorized directors shall constitute a quorum at any meeting of the Board. In the absence of a quorum at any such meeting, a majority of the directors present may adjourn the meeting from time to time without further notice other than announcement at the meeting, until a quorum shall be present. Interested directors may be counted in determining the presence of a quorum at a meeting of the Board or at a meeting of a committee which authorizes a particular contract or transaction.

3.12 Action at Meeting. At any meeting of the Board at which a quorum is present, the vote of a majority of those present shall be sufficient to take any action, unless a different vote is specified by law, the Certificate of Incorporation or these Bylaws.

3.13 Action by Written Consent. Any action required or permitted to be taken at any meeting of the Board or of any committee of the Board may be taken without a meeting if all members of the Board or committee, as the case may be, consent to the action in writing or by electronic transmission, and the writings or electronic transmissions are filed with the minutes of proceedings of the Board or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

3.14 Committees. The Board may designate one or more committees, each committee to consist of one or more of the directors of the Corporation, with such lawfully delegated powers and duties as it therefor confers; *provided* that, the committee membership of each committee designated by the Board will comply with the applicable rules of the exchange on which any securities of the Corporation are listed. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members of the committee present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board and subject to the provisions of the DGCL, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers which may require it. Each such committee shall keep minutes and make such reports as the Board may from time to time request. Except as the Board may otherwise determine, any committee may make rules for the conduct of its business, but unless otherwise provided by such rules, its business shall be conducted as nearly as possible in the same manner as is provided in these Bylaws for the Board. Unless otherwise provided in the Certificate of Incorporation, these Bylaws or the resolutions of the Board designating the committee, a committee may create one or more subcommittees, each subcommittee consists of one or more members of the committee, and delegate to a subcommittee any or all of the powers and authority of the committee.

3.15 Compensation of Directors. Directors may be paid such compensation for their services and such reimbursement for expenses of attendance at meetings as the Board may from time to time determine. No such payment shall preclude any director from serving the Corporation or any of its parent or subsidiary Corporations in any other capacity and receiving compensation for such service.

3.16 Nomination of Director Candidates. Subject to the rights of holders of any class or series of preferred stock then outstanding, nominations for the election of directors at an annual meeting may be made by (i) the Board or a duly authorized committee thereof or (ii) by any stockholder of the Corporation who is a stockholder of record at the time of giving the notice provided for in paragraphs (b) and (c) of this Section 3.16, who is entitled to vote at the meeting and who complies with the procedures set forth in this Section 3.16.

(a) All nominations by stockholders must be made pursuant to timely notice given in writing to the Secretary of the Corporation. To be timely, a stockholder's nomination for a director to be elected at an annual meeting must be received at the Corporation's principal executive offices not later than ninety (90) days nor earlier than one hundred twenty (120) days prior to the first anniversary of the date of the preceding year's annual meeting as first specified in the Corporation's notice of meeting (without regard to any postponements or adjournments of such meeting after such notice was first sent), provided, however, that if no annual meeting was held in the previous year or the date of the annual meeting is advanced by more than thirty (30) days or delayed (other than as a result of adjournment) by more than thirty (30) days from the first anniversary of the previous year's annual meeting, notice by the stockholder to be timely must be received not later than the close of business on the later of the ninetieth (90^{th}) day prior to such annual meeting or the tenth (10^{th}) day following the date on which public announcement of the date of such meeting is first made. Each such notice shall set forth (i) as to the stockholder and the beneficial owner, if any, on whose behalf the nomination is being made, and any of their respective affiliates or associates or others acting in concert therewith (each, a "***Nominating Person***"), the name and address, as they appear on the Corporation's books, of the stockholder who intends to make the nomination and of any other Nominating Person, (ii) the class or series and number of shares of the Corporation which are owned beneficially and of record by the stockholder and any other Nominating Person as of the date of the notice, and a representation that the stockholder will notify the Corporation in writing within five (5) business days after the record date for voting at the meeting of the class or series and number of shares of the Corporation owned beneficially and of record by the stockholder and any other Nominating Person as of the record date for voting at the meeting, (iii) a representation that the stockholder intends to appear in person or by proxy at the meeting to nominate the nominee specified in the notice, (iv) the following information regarding the ownership interests of the stockholder and any other Nominating Person, which shall be supplemented in writing by the stockholder not later than ten (10) days after the record date for notice of the meeting to disclose such interests as of such record date: (A) a description of any Derivative Instrument directly or indirectly owned beneficially by such stockholder or other Nominating Person, and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Corporation; (B) a description of any proxy, contract, arrangement, understanding, or relationship pursuant to which such stockholder or other Nominating Person has a right to vote any shares of any security of the Corporation; (C) a description of any Short Interests in any securities of the Corporation directly or indirectly owned beneficially by such stockholder or other Nominating Person; (D) a description of any rights to dividends on the shares of the Corporation owned beneficially by such stockholder or other Nominating Person that are separated or separable from the underlying shares of the Corporation; (E) a description of any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder or other Nominating Person is a general partner or, directly or indirectly, beneficially owns an interest in a general partner; (F) a description of any performance-related fees (other than an asset-based fee) to which such stockholder or other Nominating Person is entitled based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments, if any, as of the date of such notice, including, without limitation, any such interests held by members of such stockholder's or other Nominating Person's immediate family sharing the same household; (G) a description of any significant equity interests or any Derivative Instruments or Short Interests in any principal competitor of the Corporation held by such stockholder or other Nominating Person; and (H) a description of any direct or indirect interest of such stockholder or other Nominating Person in any contract with the Corporation, any affiliate of the Corporation or any principal competitor of the Corporation (including, in any such case, any employment agreement, collective bargaining agreement or consulting agreement), (v) a description of all arrangements or understandings between the stockholder or other Nominating Person and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder, (vi) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such stockholder and any other Nominating Person, on the one hand, and each nominee, and his respective affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the stockholder and any Nominating Person, if any, or any affiliate or associate thereof or person acting in concert therewith, were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant, (vii) such other information regarding each nominee as would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC, had the nominee been nominated, or intended to be nominated, by the Board, and (viii) the signed consent of each nominee to serve as a director of the Corporation if so elected. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. Notwithstanding the second sentence of this Section 3.16(b), in the event that the number of directors to be elected at an annual meeting is increased and there is no public announcement by the Corporation naming the nominees for the additional directorships at least 100 days prior to the one-year anniversary of the date of the preceding year's annual meeting as first specified in the Corporation's notice of meeting (without regard to any postponements or adjournments of such meeting after such notice was first sent), a stockholder's notice required by this Section 3.16(b) shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

(b) Subject to the rights of holders of any class or series of preferred stock then outstanding, nominations of persons for election to the Board may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board or a committee thereof or (ii) by any stockholder who complies with the notice procedures set forth in this Section 3.16 and who is a stockholder of record at the time such notice is delivered to the Secretary of the Corporation. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as are specified in the Corporation's notice of meeting, if the stockholder's notice as required by Section 3.12(a) is delivered to the Secretary at the principal executive offices of the Corporation not earlier than ninety (90) days prior to such special meeting and not later than the close of business on the later of the sixtieth (60^{th}) day prior to such special meeting or the tenth (10^{th}) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(c) For purposes of these Bylaws, "***public announcement***" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed or furnished by the Corporation with the SEC pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(d) Only those persons who are nominated in accordance with the procedures set forth in this section shall be eligible for election as directors at any meeting of stockholders. The Chairperson of the Board or Secretary may, if the facts warrant, determine that a notice received by the Corporation relating to a nomination proposed to be made does not satisfy the requirements of this Section 3.16 (including if the stockholder does not provide the updated information required under Section 3.12(b) to the Corporation within five (5) business days following the record date for the meeting), and if it be so determined, shall so declare and any such nomination shall not be introduced at such meeting of stockholders, notwithstanding that proxies in respect of such vote may have been received. The chairperson of the meeting shall have the power and duty to determine whether a nomination brought before the meeting was made in accordance with the procedures set forth in this section, and, if any nomination is not in compliance with this section (including if the stockholder does not provide the updated information required under Section 3.12(b) to the Corporation within five (5) business days following the record date for the meeting), to declare that such defective nomination shall be disregarded, notwithstanding that proxies in respect of such vote may have been received. Unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual meeting or a special meeting of stockholders of the Corporation to present a nomination, such nomination shall be disregarded, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 3.16, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or authorized by a writing executed by such stockholder (or a reliable reproduction or electronic transmission of the writing) delivered to the Corporation prior to the making of such nomination at such meeting by such stockholder stating that such person is authorized to act for such stockholder as proxy at the meeting of stockholders.

(e) Notwithstanding the foregoing provisions of this Section 3.16, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 3.16; provided however, that any references in this Section 3.16 to the Exchange Act or the rules promulgated thereunder are not intended to and shall not limit any requirements applicable to nominations to be considered pursuant to this Section 3.16. Nothing in this Section 3.16 shall be deemed to affect any rights of the holders of any series of preferred stock if and to the extent provided for under law, the Certificate of Incorporation or these Bylaws.

3.17 Reliance on Books and Records. A member of the Board, or a member of any committee designated by the Board shall, in the performance of such members' duties, be fully protected in relying in good faith upon records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of the Corporation's officers or employees, or committees of the Board, or by any other person as to matters the member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

ARTICLE IV
OFFICERS

4.1 Enumeration. The officers of the Corporation shall consist of a Chief Executive Officer, a President, a Secretary, a Treasurer, a Chief Financial Officer and such other officers with such other titles as the Board shall determine, including, at the discretion of the Board, a Chairperson of the Board and one or more Vice Presidents and Assistant Secretaries. The Board may appoint such other officers as it may deem appropriate.

4.2 Election. Officers shall be elected annually by the Board at its first meeting following the annual meeting of stockholders. Officers may be appointed by the Board at any other meeting.

4.3 Qualification. No officer need be a stockholder. Any two or more offices may be held by the same person.

4.4 Tenure. Except as otherwise provided by law, by the Certificate of Incorporation or by these Bylaws, each officer shall hold office until such officer's successor is elected and qualified, unless a different term is specified in the vote appointing the officer, or until such officer's earlier death, resignation or removal.

4.5 Resignation and Removal. Any officer may resign by delivering his written resignation to the Corporation at its principal office or to the President or Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event. Any officer elected by the Board may be removed at any time, with or without cause, by the Board.

4.6 Chairperson of the Board. The Board may appoint a Chairperson of the Board. If the Board appoints a Chairperson of the Board, the Chairperson of the Board shall perform such duties and possess such powers as are assigned to the Chairperson by the Board and these Bylaws. Unless otherwise provided by the Board, the Chairperson of the Board shall preside at all meetings of the Board.

4.7 Chief Executive Officer. The Chief Executive Officer of the Corporation shall, subject to the direction of the Board, have general supervision, direction and control of the business and the officers of the Corporation. The Chief Executive Officer shall preside at all meetings of the stockholders and, in the absence or nonexistence of a Chairperson of the Board, at all meetings of the Board. The Chief Executive Officer shall have the general powers and duties of management usually vested in the chief executive officer of a Corporation, including general supervision, direction and control of the business and supervision of other officers of the Corporation, and shall have such other powers and duties as may be prescribed by the Board or these Bylaws.

4.8 President. Subject to the direction of the Board and such supervisory powers as may be given by these Bylaws or the Board to the Chairperson of the Board or the Chief Executive Officer, if such titles be held by other officers, the President shall have general supervision, direction and control of the business and supervision of other officers of the Corporation. Unless otherwise designated by the Board, the President shall be the Chief Executive Officer of the Corporation. The President shall have such other powers and duties as may be prescribed by the Board or these Bylaws. The President shall have power to sign stock certificates, contracts and other instruments of the Corporation which are authorized and shall have general supervision and direction of all of the other officers, employees and agents of the Corporation, other than the Chairperson of the Board and the Chief Executive Officer.

4.9 Vice Presidents. Any Vice President shall perform such duties and possess such powers as the Board, the Chief Executive Officer or the President may from time to time prescribe. In the event of the absence, inability or refusal to act of the President, the Vice President (or if there shall be more than one, the Vice Presidents in the order determined by the Board) shall perform the duties of the President and when so performing shall have all the powers of and be subject to all the restrictions upon the President. The Board may assign to any Vice President the title of Executive Vice President, Senior Vice President or any other title selected by the Board.

4.10 Secretary and Assistant Secretaries. The Secretary shall perform such duties and shall have such powers as the Board or the President may from time to time prescribe. In addition, the Secretary shall perform such duties and have such powers as are set forth in these Bylaws and as are incident to the office of the Secretary, including, without limitation, the duty and power to give notices of all meetings of stockholders and special meetings of the Board, to keep a record of the proceedings of all meetings of stockholders and the Board, to maintain a stock ledger and prepare lists of stockholders and their addresses as required, to be custodian of corporate records and the corporate seal and to affix and attest to the same on documents.

Any Assistant Secretary shall perform such duties and possess such powers as the Board, the Chief Executive Officer, the President or the Secretary may from time to time prescribe. In the event of the absence, inability or refusal to act of the Secretary, the Assistant Secretary (or if there shall be more than one, the Assistant Secretaries in the order determined by the Board) shall perform the duties and exercise the powers of the Secretary.

In the absence of the Secretary or any Assistant Secretary at any meeting of stockholders or directors, the person presiding at the meeting shall designate a temporary secretary to keep a record of the meeting.

4.11 Treasurer. The Treasurer shall perform such duties and have such powers as are incident to the office of treasurer, including without limitation, the duty and power to keep and be responsible for all funds and securities of the Corporation, to maintain the financial records of the Corporation, to deposit funds of the Corporation in depositories as authorized, to disburse such funds as authorized, to make proper accounts of such funds, and to render as required by the Board accounts of all such transactions and of the financial condition of the Corporation.

4.12 Chief Financial Officer. The Chief Financial Officer shall perform such duties and shall have such powers as may from time to time be assigned to the Chief Financial Officer by the Board, the Chief Executive Officer or the President. Unless otherwise designated by the Board, the Chief Financial Officer shall be the Treasurer of the Corporation.

4.13 Salaries. Officers of the Corporation shall be entitled to such salaries, compensation or reimbursement as shall be fixed or allowed from time to time by the Board.

4.14 Delegation of Authority. The Board may from time to time delegate the powers or duties of any officer to any other officers or agents, notwithstanding any provision hereof.

ARTICLE V
CAPITAL STOCK

5.1 Issuance of Stock. Subject to the provisions of the Certificate of Incorporation, the whole or any part of any unissued balance of the authorized capital stock of the Corporation or the whole or any part of any unissued balance of the authorized capital stock of the Corporation held in its treasury may be issued, sold, transferred or otherwise disposed of by vote of the Board in such manner, for such consideration and on such terms as the Board may determine.

5.2 Stock Certificates. The shares of stock of the Corporation shall be represented by certificates, provided that the Board may provide by resolution or resolutions that some or all of any class or series of stock of the Corporation shall be uncertificated shares; provided, however, that no such resolution shall apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Every holder of stock of the Corporation represented by certificates, and, upon written request to the Corporation's transfer agent or registrar, any holder of uncertificated shares, shall be entitled to have a certificate, in such form as may be prescribed by law and by the Board, certifying the number and class of shares of stock owned by such stockholder in the Corporation. Each such certificate shall be signed by, or in the name of the Corporation by, the Chairperson or Vice Chairperson, if any, of the Board, or the President or a Vice President, and the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation. Any or all of the signatures on the certificate may be a facsimile.

Each certificate for shares of stock which are subject to any restriction on transfer pursuant to the Certificate of Incorporation, the Bylaws, applicable securities laws or any agreement among any number of stockholders or among such holders and the Corporation shall have conspicuously noted on the face or back of the certificate either the full text of the restriction or a statement of the existence of such restriction.

5.3 Transfers. Except as otherwise established by rules and regulations adopted by the Board, and subject to applicable law, shares of stock may be transferred on the books of the Corporation: (i) in the case of shares represented by a certificate, by the surrender to the Corporation or its transfer agent of the certificate representing such shares properly endorsed or accompanied by a written assignment or power of attorney properly executed, and with such proof of authority or authenticity of signature as the Corporation or its transfer agent may reasonably require; and (ii) in the case of uncertificated shares, upon the receipt of proper transfer instructions from the registered owner thereof. Except as may be otherwise required by law, the Certificate of Incorporation or the Bylaws, the Corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect to such stock, regardless of any transfer, pledge or other disposition of such stock until the shares have been transferred on the books of the Corporation in accordance with the requirements of these Bylaws.

5.4 Lost, Stolen or Destroyed Certificates. The Corporation may issue a new certificate in place of any previously issued certificate alleged to have been lost, stolen, or destroyed, or it may issue uncertificated shares if the shares represented by such certificate have been designated as uncertificated shares in accordance with Section 5.2, upon such terms and conditions as the Board may prescribe, including the presentation of reasonable evidence of such loss, theft or destruction and the giving of such indemnity as the Board may require for the protection of the Corporation or any transfer agent or registrar.

5.5 Record Dates. The Board may fix in advance a record date for the determination of the stockholders entitled to vote at any meeting of stockholders. Such record date shall not precede the date on which the resolution fixing the record date is adopted and shall not be more than 60 nor less than 10 days before the date of such meeting.

If no record date is fixed by the Board, the record date for determining the stockholders entitled to notice of or to vote at a meeting of stockholders shall be the close of business on the day before the date on which notice is given, or, if notice is waived, the close of business on the day before the date on which the meeting is held.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for the determination of stockholders entitled to vote in accordance with the foregoing provisions.

The Board may fix in advance a record date (a) for the determination of stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights in respect of any change, concession or exchange of stock, or (b) for the purpose of any other lawful action. Any such record date shall not precede the date on which the resolution fixing the record date is adopted and shall not be more than 60 days prior to the action to which such record date relates. If no record date is fixed by the Board, the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting when no prior action by the Board is necessary shall be the date on which the first written consent is expressed. The record date for determining stockholders for any other purpose shall be the close of business on the day on which the Board adopts the resolution relating to such purpose.

ARTICLE VI
GENERAL PROVISIONS

6.1 Fiscal Year. The fiscal year of the Corporation shall be as fixed by the Board.

6.2 Waiver of Notice. Whenever any notice whatsoever is required to be given by law, by the Certificate of Incorporation or by these Bylaws, a waiver of such notice either in writing signed by the person entitled to such notice or such person's duly authorized attorney, or by electronic transmission or any other method permitted under the DGCL, whether before, at or after the time stated in such waiver, or the appearance of such person or persons at such meeting in person or by proxy, shall be deemed equivalent to such notice. Neither the business nor the purpose of any meeting need be specified in such a waiver. Attendance at any meeting shall constitute waiver of notice except attendance for the sole purpose of objecting to the timeliness or manner of notice.

6.3 Actions with Respect to Securities of Other Corporations. Except as the Board may otherwise designate, the Chief Executive Officer or President or any officer of the Corporation authorized by the Chief Executive Officer or President shall have the power to vote and otherwise act on behalf of the Corporation, in person or by proxy, and may waive notice of, and act as, or appoint any person or persons to act as, proxy or attorney-in-fact to this Corporation (with or without power of substitution) at any meeting of stockholders or shareholders (or with respect to any action of stockholders) of any other Corporation or organization, the securities of which may be held by this Corporation and otherwise to exercise any and all rights and powers that this Corporation may possess by reason of this Corporation's ownership of securities in such other Corporation or other organization.

6.4 Evidence of Authority. A certificate by the Secretary, or an Assistant Secretary, or a temporary Secretary, as to any action taken by the stockholders, directors, a committee or any officer or representative of the Corporation shall as to all persons who rely on the certificate in good faith be conclusive evidence of such action.

6.5 Certificate of Incorporation. All references in these Bylaws to the Certificate of Incorporation shall be deemed to refer to the Certificate of Incorporation of the Corporation, as amended and in effect from time to time.

6.6 Severability. Any determination that any provision of these Bylaws is for any reason inapplicable, illegal or ineffective shall not affect or invalidate any other provision of these Bylaws.

6.7 Pronouns. All pronouns used in these Bylaws shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the person or persons may require.

6.8 Notices. Except as otherwise specifically provided herein or required by law, all notices required to be given to any stockholder, director, officer, employee or agent of the Corporation shall be in writing and may in every instance be effectively given by hand delivery to the recipient thereof, by depositing such notice in the mails, postage paid, or by sending such notice by commercial courier service, or by facsimile or other electronic transmission, provided that notice to stockholders by electronic transmission shall be given in the manner provided in Section 232 of the DGCL. Any such notice shall be addressed to such stockholder, director, officer, employee or agent at his, her or its last known address as the same appears on the books of the Corporation. The time when such notice shall be deemed to be given shall be the time such notice is received by such stockholder, director, officer, employee or agent, or by any person accepting such notice on behalf of such person, if delivered by hand, facsimile, other electronic transmission or commercial courier service, or the time such notice is dispatched, if delivered through the mails. Without limiting the manner by which notice otherwise may be given effectively, notice to any stockholder shall be deemed given: (a) if by facsimile, when directed to a number at which the stockholder has consented to receive notice; (b) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (c) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (i) such posting and (ii) the giving of such separate notice; (d) if by any other form of electronic transmission, when directed to the stockholder; and (e) if by mail, when deposited in the mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation.

6.9 Reliance Upon Books, Reports and Records. Each director, each member of any committee designated by the Board, and each officer of the Corporation shall, in the performance of such individual's duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation as provided by law, including reports made to the Corporation by any of its officers, by an independent certified public accountant, or by an appraiser selected with reasonable care.

6.10 Time Periods. In applying any provision of these Bylaws which require that an act be done or not done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

6.11 Facsimile Signatures. In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these Bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board or a committee thereof.

6.12 Voting of Securities Owned by the Corporation. All stock and other securities of other Corporations owned or held by the Corporation for itself, or for other parties in any capacity, shall be voted, and all proxies with respect thereto shall be executed, by the person authorized so to do by resolution of the Board, or, in the absence of such authorization, the Chief Executive Officer, the President, or any Vice President.

ARTICLE VII
AMENDMENTS

7.1 By the Board. Except as otherwise set forth in these Bylaws, these Bylaws may be altered, amended or repealed or new Bylaws may be adopted only in accordance with Article X of the Certificate of Incorporation.

7.2 By the Stockholders. Except as otherwise set forth in these Bylaws, and subject to the Certificate of Incorporation, these Bylaws may be altered, amended or repealed or new Bylaws may be adopted by the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the shares of capital stock of the Corporation issued and outstanding and entitled to vote generally in any election of directors, voting together as a single class. Such vote may be held at any annual meeting of stockholders, or at any special meeting of stockholders provided that notice of such alteration, amendment, repeal or adoption of new Bylaws shall have been stated in the notice of such special meeting.

ARTICLE VIII
INDEMNIFICATION OF DIRECTORS AND OFFICERS

8.1 Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative ("***proceeding***"), by reason of the fact that such person or a person of whom he or she is the legal representative, is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another Corporation, or as a controlling person of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director or officer, or in any other capacity while serving as a director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment) against all expenses, liability and loss reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of his heirs, executors and administrators; provided, that except as provided in Section 8.2 of this Article VIII, the Corporation shall indemnify any such person seeking indemnity in connection with a proceeding (or part thereof) initiated by such person only if (a) such indemnification is expressly required to be made by law, (b) the proceeding (or part thereof) was authorized by the Board, (c) such indemnification is provided by the Corporation, in its sole discretion, pursuant to the powers vested in the Corporation under the DGCL, or (d) the proceeding (or part thereof) is brought to establish or enforce a right to indemnification or advancement under an indemnity agreement or any other statute or law or otherwise as required under Section 145 of the DGCL. The rights hereunder shall be contract rights and shall include the right to be paid reasonable expenses and attorneys' fees incurred in defending any such proceeding in advance of its final disposition; provided, that the payment of such expenses incurred by a director or officer of the Corporation in his capacity as a director or officer (and not in any other capacity in which service was or is tendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of such proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it should be determined ultimately by final judicial decision from which there is no further right to appeal that such director or officer is not entitled to be indemnified under this section or otherwise.

8.2 Right of Claimant to Bring Suit. If a claim under Section 8.1 is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, or twenty (20) days in the case of a claim for advancement of expenses, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if such suit is not frivolous or brought in bad faith, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any, has been tendered to this Corporation) that the claimant has not met the standards of conduct which make it permissible under the DGCL for the Corporation to indemnify the claimant for the amount claimed. Neither the failure of the Corporation (including its Board, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because the claimant has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including its Board, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct. In any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final judicial decision from which there is no further right to appeal that the indemnitee has not met any applicable standard for indemnification set forth in the DGCL. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, shall be on the Corporation.

8.3 Indemnification of Employees and Agents. The Corporation may, to the extent authorized from time to time by the Board, grant rights to indemnification, and to the advancement of related expenses, to any employee or agent of the Corporation to the fullest extent of the provisions of this Article VIII with respect to the indemnification of and advancement of expenses to directors and officers of the Corporation.

8.4 Non-Exclusivity of Rights. The rights conferred on any person in this Article VIII shall not be exclusive of any other right which such persons may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

8.5 Indemnification Contracts. The Board is authorized to enter into a contract with any director, officer, employee or agent of the Corporation, or any person serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise, including employee benefit plans, providing for indemnification rights equivalent to or, if the Board so determines, greater than, those provided for in this Article VIII.

8.6 Insurance. The Corporation shall maintain insurance to the extent reasonably available, at its expense, to protect itself and any such director, officer, employee or agent of the Corporation or another Corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.

8.7 Effect of Amendment. Any amendment, repeal or modification of any provision of this Article VIII shall not adversely affect any right or protection of an indemnitee or his successor in respect of any act or omission occurring prior to such amendment, repeal or modification.

8.8 Reliance. Persons who after the date of the adoption of this provision become or remain directors or officers of the Corporation or who, while a director or officer of the Corporation, become or remain a director, officer, employee or agent of a subsidiary, shall be conclusively presumed to have relied on the rights to indemnity, advance of expenses and other rights contained in this Article VIII in entering into or continuing such service. The rights to indemnification and to the advance of expenses conferred in this Article VIII shall apply to claims made against an indemnitee arising out of acts or omissions which occurred or occur both prior and subsequent to the adoption hereof.

* * *

State of Delaware
Secretary of State
Division of Corporations
Delivered 01:21 PM 08/01/2014
FILED 01:11 PM 08/01/2014
SRV 141025616 - 4088293 FILE

THIRD AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.

Houston International Insurance Group, Ltd., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

1. The name of this Corporation is Houston International Insurance Group, Ltd. The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on January 3, 2006, and was amended by the Amended and Restated Certificate of Incorporation filed with the Secretary of State of the State of Delaware on August 2, 2006, and was further amended by the Amended and Restated Certificate of Incorporation filed with the Secretary of State of the State of Delaware on December 22, 2010, which changed the Corporation's name from "Lightyear Delos Acquisition Corp." to "Houston International Insurance Group, Ltd." (as so amended, the "Original Certificate of Incorporation").

2. Pursuant to Sections 242 and 228 of the Delaware General Corporation Law ("DGCL"), the amendments and restatement herein set forth have been duly approved by the Board of Directors and stockholders of the Corporation.

3. Pursuant to Section 245 of the DGCL, this Third Amended and Restated Certificate of Incorporation restates and integrates and further amends the provisions of the Original Certificate of Incorporation.

4. The text of the Original Certificate of Incorporation is hereby amended and restated in its entirety as follows:

FIRST. The name of the corporation is Houston International Insurance Group, Ltd. (the "Corporation").

SECOND. The address of the Corporation's registered office in the State of Delaware is 2711 Centerville Road, Suite 400 in the City of Wilmington, County of New Castle. The name of its registered agent at such address is the Corporation Service Company.

THIRD. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law ("DGCL").

FOURTH. Capitalization.

A. Classes of Stock. The Corporation is authorized to issue three classes of stock: (i) voting common stock, par value $0.01 per share ("Voting Common Stock") (ii) non-voting common stock, par value $0.01 per share ("Non-Voting Common Stock") and, together with the Voting Common Stock, the "Common Stock") and (iii) preferred stock, par value $0.01 per share ("Preferred Stock").

B. Authorized Shares. The total number of shares that the Corporation is authorized to issue is 70,000,000 shares, of which 2,000,000 shares shall be Preferred Stock, and 68,000,000 shares shall be Common Stock.

C. Designations and Rights of Common Stock. Prior to the issuance of any shares of Common Stock, the Board of Directors is expressly authorized to determine by resolution or by an amendment to the Corporation's articles of incorporation whether such shares shall be Voting Common Stock or Non-Voting Common Stock.

D. Rights, Preferences and Restrictions of Preferred Stock. The Board of Directors is expressly authorized to fix by resolution or resolutions the designations and the powers, preferences and rights, and the qualifications, limitations and restrictions thereof, of the shares of each series of Preferred Stock. Subject to the rights of the holders of any series of Preferred Stock, the number of authorized shares of any class or series of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the outstanding shares of such class or series, voting together as a single class, irrespective of the provisions of Section 242(b)(2) of the DGCL or any corresponding provision hereafter enacted.

E. Rights, Preferences and Restrictions of Common Stock.

(1) Rank. The Voting Common Stock and the Non-Voting Common Stock will rank *pari passu* as to dividends and distributions and rights upon liquidation, except as otherwise stated in this Article FOURTH.

(2) Dividend and Distribution Rights. Subject to the prior rights of holders of all classes of stock at the time outstanding having prior rights as to dividends or distributions, the holders of the Common Stock shall be entitled to receive, when and as declared by the Board of Directors, but only out of funds legally available therefor, dividends. The holders of Common Stock shall share equally on a per share basis in all such dividends and other distributions. No dividend or distribution that is payable to holders of Common Stock that is payable in shares of Common Stock, including distributions pursuant to stock splits or divisions of Common Stock, may be made unless: (a) shares of Voting Common Stock are paid or distributed as a dividend or distribution only in respect of Voting Common Stock; (b) shares of Non-Voting Common Stock are paid or distributed only in respect of Non-Voting Common Stock; (c) no such dividend or distribution is made in respect of the Voting Common Stock unless simultaneously also made in respect of the Non-Voting Common Stock; and (d) the number of shares of Voting Common Stock paid or distributed in respect of each outstanding share of Voting Common Stock is equal to the number of shares of Non-Voting Common Stock paid or distributed in respect of each outstanding share of Non-Voting Common Stock. Neither the Voting Common Stock nor the Non-Voting Common Stock may be reclassified, subdivided or combined unless such reclassification, subdivision or combination occurs simultaneously and in the same proportion for each class of Common Stock. Each dividend or distribution payable to the holders of Common Stock shall be paid to holders of record of shares of Common Stock on the date,

not exceeding sixty days preceding such dividend or distribution payment date, fixed for such purpose by the Board of Directors in advance of payment of such dividend or distribution.

(3) Voting Rights. In addition to any other vote or consent of stockholders required by law or by this Third Amended and Restated Certificate of Incorporation as it may be amended or restated from time to time, and except as otherwise required by law, (a) every holder of Voting Common Stock shall be entitled to one vote in person or by proxy for each share of Voting Common Stock standing in such holder's name on the transfer books of the Corporation; and (b) no holder of Non-Voting Common Stock, except as required by law, shall be entitled to any votes in person or by proxy for any shares of Non-Voting Common Stock; provided, however, that holders of Voting Common Stock and holders of Non-Voting Common Stock shall be entitled to one vote in person or by proxy for each share of Voting Common Stock or Non-Voting Common Stock, as the case may be, standing in such holder's name on the transfer books of the Corporation, voting as a separate class, with respect to any amendment to the rights, preferences or restrictions of the Voting Common Stock or the Non-Voting Common Stock, as the case may be, that would result in either class of Common Stock being treated differently than the other class of Common Stock in a manner that is adverse to the holders of either the Voting Common Stock or the Non-Voting Common Stock, as the case may be. The holders of the Common Stock shall be entitled to notice of all stockholder meetings or written consents (and copies of any and all proxy materials and other information sent to stockholders) with respect to which they would be entitled to vote, which notice shall be provided pursuant to the Corporation's bylaws and the DGCL.

(4) Liquidation Rights. In the event of any liquidation, dissolution or winding up of the affairs the Corporation, whether voluntary or involuntary, after distribution of any preferential amounts to be distributed to the holders of shares of Preferred Stock, if any, the holders of shares of Common Stock shall be entitled to receive all of the remaining assets of the Corporation available for distribution to its stockholders, ratably in proportion to the number of shares of Common Stock held by them.

(5) Change of Control. In connection with any transaction in which shares of Voting Common Stock or Non-Voting Common Stock are reclassified, converted or changed into, or entitle their holder to receive in respect thereof, any shares of stock or other securities of the Corporation (other than any conversion of the Non-Voting Common Stock into Voting Common Stock) or any other entity and/or other property or cash (collectively, "Consideration"), (a) each holder of a share of Voting Common Stock shall be entitled to receive, with respect to such share of Voting Common Stock, the same kind and amount of Consideration receivable by a holder of a share of Non-Voting Common Stock with respect to a share of Non-Voting Common Stock, (b) each holder of a share of Non-Voting Common Stock shall be entitled to receive, with respect to such share of Non-Voting Common Stock, the same kind and amount of Consideration receivable by a holder of a share of Voting Common Stock with respect to

a share of Voting Common Stock, and (c) if any holder of Common Stock is granted the right to elect to receive one of two or more alternative kinds, amounts and/or combinations of Consideration, all holders of Common Stock shall be granted substantially identical election rights.

(6) Redemption. The shares of Common Stock shall not be redeemable.

(7) Fractional Shares. Shares of Common Stock may be issued in fractional shares.

(8) Conversion of Non-Voting Common Stock. (a) Effective immediately upon any transfer, sale, assignment, pledge, hypothecation, encumbrance or other disposal (collectively, "Transfer") of a share of Non-Voting Common Stock, except any Transfer to a Controlled Affiliate, such transferred share of Non-Voting Common Stock shall automatically be converted into the number of shares of Voting Common Stock calculated pursuant the formula set forth below in (b). Such Transfer shall require no further action on the part of the Corporation, the transferor, the transferee or any other person or entity, and, upon such Transfer, the certificate formerly representing the shares of Non-Voting Common Stock transferred shall, to the extent of such Transfer, represent instead the number of shares of Voting Common Stock calculated pursuant to the formula set forth below in (b). For the purposes of the foregoing, a "Controlled Affiliate" is any direct or indirect wholly-owned subsidiary of the entity beneficially owning all of the voting interests of the holder of such share of Non-Voting Common Stock; provided (i) AlpInvest Partners CS Investments 2006 C.V. and AlpInvest Partners Later State Co-Investments Custodian IIA B.V. shall be deemed to be Controlled Affiliates of each other for so long as each continues to be controlled, directly or indirectly, by Stichting Pensioenfonds ABP and Stichting Pensioenfonds Zorg en Welzijn (f/k/a Stichting Pensioenfonds voor de Gezondheid, Geestelijke en Maatschappelijke Belangen), (ii) Lightyear Fund II, L.P. and Lightyear Co-Invest Partnership II, L.P. shall be deemed to be Controlled Affiliates of each other, and (iii) any entities directly or indirectly controlled by Trilantic Capital Partners ("Trilantic") shall be deemed to be Controlled Affiliates of Trilantic, and, provided, further, that the Corporation shall not be deemed to be a subsidiary of Westaim HIIG Limited Partnership (the "Partnership"). For purposes of the definition of Controlled Affiliate, "controlled by" means, with respect to any individual, corporation, partnership, association, limited liability company, government entity, trust or other entity or organization ("Person"), the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

(b) The number of shares of Voting Common Stock to which a holder of Non-Voting Common Stock shall be entitled upon conversion shall be one.

(c) If the date on which any share of Non-Voting Common Stock is converted into Voting Common Stock pursuant to this Article FOURTH is after the record date for the determination of the holders of Non-Voting Common Stock entitled to receive any dividend or distribution and prior to the date on which such dividend or distribution is to be paid to such holder, the holder of the Voting Common Stock issued upon the conversion of such converted share of Non-Voting Common Stock will be entitled to receive such dividend on such payment date; provided, however, that to the extent that such dividend is payable in shares of Non-Voting Common Stock, no such shares of Non-Voting Common Stock shall be issued in payment thereof and such dividend shall instead by paid by the issuance of such number of shares of Voting Common Stock into which such shares of Non-Voting Common Stock, if issued, would have been convertible on such payment date.

(d) The Corporation shall not be required to pay any documentary, stamp or similar issue or transfer taxes in respect of the issue or delivery of shares of Voting Common Stock upon the conversion of shares of Non-Voting Common Stock pursuant to this Article FOURTH, and no such issue or delivery shall be made unless and until the record holder requesting such issue has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

(e) The Corporation shall not reissue or resell any shares of Non-Voting Common Stock that are converted into shares of Voting Common Stock pursuant to this Article FOURTH or that are acquired by the Corporation in any other manner. The Corporation shall, from time to time, take such appropriate action as may be necessary to retire such shares of Non-Voting Common Stock and to reduce the authorized number of shares of Non-Voting Common Stock accordingly. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Voting Common Stock, solely for the purpose of effecting the conversion of the shares of the Non-Voting Common Stock, such number of its shares of Voting Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Non-Voting Common Stock. If at any time the number of authorized but unissued shares of Voting Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Non-Voting Common Stock, the Corporation will take such corporate action as may be necessary to increase its authorized but unissued shares of Voting Common Stock to such number of shares as shall be sufficient for such purpose.

FIFTH. Director and Stockholder Votes Required for Action.

A. Except as otherwise set forth in this Article FIFTH, all actions of the Board of Directors of the Corporation must be approved by a vote or consent of the majority of the entire Board of Directors (a "Majority Board Vote").

B. Without limiting the generality of paragraph (A) of this Article

FIFTH, the Corporation shall not, nor shall the Corporation cause or permit any of its subsidiaries to, without a Majority Board Vote:

(1) purchase, lease, exchange or otherwise acquire any assets (including any capital stock of any corporation or other entity or organization) in one or a series of related transactions with an aggregate purchase price in excess of $15,000,000; provided that the Corporation shall obtain the approval of the Executive Committee of the Board of Directors prior to entering into any such, or any agreement contemplating such, transaction or series of related transactions with an aggregate purchase price less than or equal to $15,000,000;

(2) sell, lease, exchange, transfer or otherwise dispose of, or create any Encumbrances (as such term is defined in the Amended and Restated Stockholders' Agreement, by and among the Stockholders named therein and the Corporation, dated as of the date hereof (the "Stockholders' Agreement")) on, assets in one or a series of related transactions with a fair market value in excess of $15,000,000; provided that the Corporation shall obtain the approval of the Executive Committee of the Board of Directors prior to entering into any such, or any agreement contemplating such, transaction or series of related transactions with a fair market value less than or equal to $15,000,000;

(3) incur or guarantee any indebtedness for borrowed money or issue any debt securities of the Corporation in excess of $15,000,000; provided, that the Corporation shall obtain the approval of the Executive Committee of the Board prior to entering into any such, or any agreement contemplating such a transaction or series of related transactions with an aggregate value less than or equal to $15,000,000;

(4) issue any capital stock of the Corporation ("Shares") or other equity securities or securities convertible into, exercisable or exchangeable for equity securities of the Corporation with an aggregate purchase price or fair market value greater than or equal to $15,000,000; provided, that the Corporation shall obtain the approval of the Executive Committee of the Board prior to entering into any such, or any agreement contemplating such a transaction or series of related transactions with an aggregate fair market value less than or equal to $15,000,000;

(5) in one or a series of related transactions with a fair market value in excess of $15,000,000, (i) merge or consolidate with another corporation, partnership, association, limited liability company, government entity, individual, trust or other entity or organization ("Person"); (ii) sell, lease, exchange, transfer or otherwise dispose of all or substantially all of its assets; (iii) purchase, lease, exchange or otherwise acquire all or substantially all of the assets of another Person; (iv) enter into any other business combination transaction; or (v) enter into any agreement contemplating such actions; provided that the Corporation shall obtain the approval of the Executive Committee of the Board of Directors prior to entering into any such purchase, lease, exchange or acquisition with a fair market value less than or equal to $15,000,000, in each case above, other than transactions between the Corporation and its wholly owned subsidiaries or among the wholly owned subsidiaries of the Corporation;

(6) voluntarily initiate any bankruptcy, dissolution, liquidation or

winding up or any analogous proceeding in any jurisdiction with respect to the Corporation or any of its subsidiaries;

(7) enter into or amend any joint venture or partnership with any other Person if the value of such joint venture or partnership exceeds $15,000,000 (inclusive of all Shares, debt or other securities contributed thereto); provided that the Corporation shall obtain the approval of the Executive Committee of the Board of Directors prior to entering into or amending any joint venture or partnership with a value less than or equal to $15,000,000;

(8) approve the removal of a director for cause;

(9) establish committees of the Board of Directors; it being understood that this clause (9) shall not apply to subsidiaries of the Corporation;

(10) enter into, amend or modify any contract with any affiliate of the Corporation (except (A) contracts solely among wholly-owned subsidiaries of the Corporation or the Corporation and one or more wholly-owned subsidiaries of the Corporation and (B) reinsurance contracts entered between the Corporation or its subsidiaries and any such affiliate in the ordinary course of business, and on a negotiated, arms' length basis), and in respect of such a matter a Majority Board Vote shall include, until the closing of the transactions contemplated by the Remaining Shares Purchase Agreement, at least one Lightyear Designee; or

(11) consummate any public offering of Common Stock (other than a public offering pursuant to the exercise of a Demand Request pursuant to Sections 6.1 or 6.2 of the Stockholders' Agreement).

C. Notwithstanding anything to the contrary in this Article FIFTH, for so long as the Stockholders' Agreement has not been terminated pursuant to Sections 8.1 and 8.2 thereof, the Corporation shall not, nor shall the Corporation cause or permit any of its subsidiaries to, without the unanimous approval of the Board of Directors, increase the number of directors comprising the entire Board of Directors (other than any increase to accommodate a Stockholder Designee (as hereinafter defined), which increase shall be automatic).

D. Notwithstanding anything to the contrary in this Article FIFTH, for so long as the Stockholders' Agreement has not been terminated pursuant to Sections 8.1 and 8.2 thereof, the Corporation shall not, nor shall the Corporation cause or permit any of its subsidiaries to, without the approval of at least 66 2/3% of the Board of Directors, including until the closing of the transactions contemplated by the Remaining Shares Purchase Agreement, at least one Lightyear Designee:

(1) amend or modify this Third Amended and Restated Certificate of Incorporation or the Corporation's bylaws, or, in the case of the Corporation's subsidiaries, their respective articles of incorporation, bylaws or equivalent documents; or

(2) declare or pay any dividends or distributions on Shares or repurchase or redeem any Shares or other securities of the Corporation or its subsidiaries on a non-pro rata basis; provided that the foregoing shall not require the approval of the Board of

Directors for any dividend or distribution in the ordinary course of business made by a direct or indirect wholly-owned subsidiary of the Corporation to the Corporation or any other wholly-owned subsidiary of the Corporation.

SIXTH. Election of Directors; Removal; Vacancies; Quorum; Vote Required for Action; Membership on Committees.

A. Elections of directors need not be by written ballot except and to the extent provided in the by-laws of the Corporation.

B. Until the earlier to occur of (i) the closing of the transactions contemplated by the Remaining Shares Purchase Agreement (as defined in the Stockholders' Agreement) or (ii) the termination of the Stockholders' Agreement pursuant to Sections 8.1 and 8.2 thereof, (a) any director may be removed from the Board of Directors with cause by a vote of stockholders holding a majority of the Shares then entitled to vote at an election of directors, provided that the Board of Directors shall have approved by Majority Board Vote the removal of such director prior to the submission of such vote to stockholders; and (b) stockholders holding a majority of the shares then entitled to vote at an election of directors may remove a director without cause only if each stockholder or group of stockholders, as applicable, who previously designated such director pursuant to the Stockholders' Agreement has voted in favor of such removal. Following the closing of the transactions contemplated by the Remaining Shares Purchase Agreement and thereafter for so long as the Stockholders' Agreement has not been terminated pursuant to Sections 8.1 and 8.2 thereof, any director may be removed from the Board of Directors with cause by a vote of stockholders holding a majority of the Shares then entitled to vote at an election of directors, provided that the Board of Directors shall have approved by Majority Board Vote the removal of such director prior to the submission of such vote to stockholders.

C. Until the earlier to occur of (i) the closing of the transactions contemplated by the Remaining Shares Purchase Agreement or (ii) the termination of the Stockholders' Agreement pursuant to Sections 8.1 and 8.2 thereof, any vacancy created by the removal (whether with or without cause), death of or resignation by a director shall be filled as follows: (a) any vacancy created by the removal (whether with or without cause), death of or resignation of a Partnership Designee, a Lightyear Designee or an Existing Stockholder Designee, as the case may be, (each, a "Stockholder Designee") may be filled only by the stockholder or group of stockholders who designated such Stockholder Designee; provided that at the time a vote is held to fill the vacancy created by the removal, death or resignation of such Stockholder Designee, the stockholder entitled to fill the vacancy remains a party to the Stockholders' Agreement, otherwise such vacancy shall be filled pursuant to Section 223 of the DGCL; and (b) any vacancy created by an increase in the size of the Board of Directors (other than any increase to accommodate a Stockholder Designee, which increase shall be automatic) shall be filled by a unanimous vote of the remaining directors. Following the closing of the transactions contemplated by the Remaining Shares Purchase Agreement and thereafter for so long as the Stockholders' Agreement has not been terminated pursuant to Sections 8.1 and 8.2 thereof, any vacancy shall be filled pursuant to Section 223 of the DGCL.

D. At all meetings of the Board of Directors, a majority of the entire

Board of Directors shall constitute a quorum for the transaction of business. The vote of a majority of the entire Board of Directors at a meeting at which a quorum is present shall be the act of the Board of Directors unless this Third Amended and Restated Certificate of Incorporation or the by-laws shall require a vote of a greater number. In case at any meeting of the Board of Directors a quorum shall not be present, the members of the Board of Directors present may adjourn the meeting from time to time until a quorum shall be present.

E. For so long as the Stockholders' Agreement has not been terminated pursuant to Sections 8.1 and 8.2 thereof, (i) the Executive Committee of the Board of Directors shall at all times consist of three directors, two of whom shall at all times be Partnership Designees and one of whom shall at all times be Stephen L. Way ("Way"), until he is no longer a Director; (ii) the Compensation Committee of the Board of Directors shall at all times consist of three directors, two of whom shall at all times be Partnership Designees and one of whom shall at all times be Way, until he is no longer a Director; and (iii) the Audit Committee of the Board of Directors shall at all times consist of three directors, two of whom shall at all times be Partnership Designees and one of whom shall at all times be designated by Way; provided, however, that until the closing of the transactions contemplated by the Remaining Shares Purchase Agreement, each such committee shall consist of an additional director who shall be a Lightyear Designee.

SEVENTH. The number of directors of the Corporation shall be ten until the closing of the transactions contemplated by the Remaining Shares Purchase Agreement, at which time the Corporation shall cause the Board of Directors to decrease to eight. In the event the Remaining Shares Purchase Agreement is terminated in accordance with its terms, the Corporation shall cause the Board of Directors to decrease to nine.

EIGHTH. Any action required by law to be taken at any annual or special meeting of stockholders of the Corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all Shares entitled to vote thereon were present and voted.

NINTH. A director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent that such exemption from liability or limitation thereof is not permitted under the DGCL as currently in effect or as the same may hereafter be amended. No amendment, modification or repeal of this Article NINTH shall adversely affect any right or protection of a director that exists at the time of such amendment, modification or repeal.

TENTH. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director,

officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that such person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation and except that the Corporation shall not make any indemnification in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expenses which the Court of Chancery or such other court shall deem proper. To the extent that a present or former director or officer of the Corporation has been successful on the merits or otherwise in the defense of any action, suit or proceeding referred to in this Article TENTH, or in defense of any claim, issue or matter therein, the Corporation shall indemnify such person against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith. Any indemnification under this Article TENTH (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in this Article TENTH. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, or (3) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders. Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Article TENTH. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and

agents shall be paid upon such terms and conditions, if any, as the Corporation deems appropriate. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article TENTH shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office. The rights provided to any person by this Article TENTH shall be enforceable against the Corporation by such person who shall he presumed to have relied upon it in serving or continuing to serve as a director, officer, employee or agent as provided above. No amendment of this Article TENTH shall impair the rights of any person arising at any time with respect to events occurring prior to such amendment. For purposes of this Article TENTH, references to "the Corporation" shall include, in addition to the resulting Corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees and agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this Article TENTH with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued; reference to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article TENTH. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article TENTH shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.

ELEVENTH. Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the Corporation under Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for the Corporation under Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the ease may be, agree to any compromise or arrangement and to any reorganization of the Corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which

the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned, a duly authorized officer of the Corporation, has duly executed this Third Amended and Restated Certificate of Incorporation on this 31st day of July, 2014.

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.

By: _____
Name: Peter W. Presperin
Title: Secretary

CERTIFICATE OF AMENDMENT TO
THIRD AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION OF
HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.

Houston International Insurance Group, Ltd. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "DGCL"), hereby certifies as follows:

1. This Certificate of Amendment (this "Amendment") amends the provisions of the Corporation's Third Amended and Restated Certificate of Incorporation filed with the Secretary of State of the State of Delaware on August 1, 2014 (the "Certificate of Incorporation").

2. In accordance with Sections 222, 228, and 242 of the DGCL, the Board of Directors of the Corporation has duly adopted resolutions setting forth the proposed amendment to the Certificate of Incorporation, declaring such amendment to be advisable and recommending the approval of such amendment to the stockholders, and a majority of the outstanding stockholders entitled to vote thereon has duly approved the amendment to the Certificate of Incorporation as set forth in this Amendment.

3. The Certificate of Incorporation is hereby amended by changing the first sentence of subsection (B) of Article IV of the Certificate of Incorporation such that the first sentence is hereby amended and restated in its entirety as follows:

> "B. Authorized Shares. The total number of shares that the Corporation is authorized to issue is 170,000,000 shares, of which 2,000,000 shares shall be Preferred Stock, and 168,000,000 shares shall be Common Stock."

4. All other provisions of the Certificate of Incorporation shall remain in full force and effect.

[Signature Page Follows]

State of Delaware
Secretary of State
Division of Corporations
Delivered 12:18 PM 05/15/2015
FILED 11:14 AM 05/15/2015
SRV 150685384 - 4088293 FILE

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be executed this 13th day of May, 2015.

By: _____
Name: Peter W. Presperin
Title: Executive Vice President and
Chief Financial Officer

State of Delaware
Secretary of State
Division of Corporations
Delivered 06:01 PM 04/21/2020
FILED 06:01 PM 04/21/2020
SR 20203031345 - File Number 4088293

CERTIFICATE OF DESIGNATION
OF
SERIES A CONVERTIBLE PREFERRED STOCK
OF
HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.

Pursuant to Section 151 of the General Corporation Law of the State of Delaware, **HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.**, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "**Corporation**"), in accordance with the provisions of Section 103 thereof, does hereby submit the following:

WHEREAS, the Third Amended and Restated Certificate of Incorporation of the Corporation (the "**Certificate of Incorporation**") authorizes the issuance of up to 2,000,000 shares of preferred stock, par value $0.01 per share, of the Corporation ("**Preferred Stock**") and expressly authorizes the Board of Directors of the Corporation (the "**Board**") to fix the designations and the powers, preferences and rights, and the qualifications, limitations and restrictions, of the shares of each series of Preferred Stock; and

WHEREAS, it is the desire of the Board to establish and fix the number of shares to be included in a new series of Preferred Stock and the designations and the powers, preferences and rights, and the qualifications, limitations and restrictions of the shares of such new series.

NOW, THEREFORE, BE IT RESOLVED, that the Board deems it advisable and in the best interests of the Corporation and its stockholders to, and does hereby provide for, the issue of a series of Preferred Stock and does hereby in this Certificate of Designation (the "**Certificate of Designation**") establish and fix and herein state and express the designations and the powers, preferences and rights, and the qualifications, limitations and restrictions of such series of Preferred Stock as follows:

1. Designation. There shall be a series of Preferred Stock that shall be designated as "Series A Convertible Preferred Stock" (the "**Series A Preferred Stock**") and the number of Shares constituting such series shall be 2,000,000. The powers, preferences and rights, and the qualifications, limitations and restrictions of the Series A Preferred Stock shall be as set forth herein.

2. Defined Terms. For purposes hereof, the following terms shall have the following meanings:

"2019 Audited Financial Statements" means the audited GAAP consolidated financial statements of the Corporation as at and for the year ended December 31, 2019.

"**2019 Common Stock Outstanding**" means the number of shares of Common Stock outstanding as at December 31, 2019, namely 66,192,625.

"Automatic Conversion Event" has the meaning set forth in Section 7.1(b).

"**Board**" has the meaning set forth in the Recitals.

"**Certificate of Designation**" has the meaning set forth in the Recitals.

"**Certificate of Incorporation**" has the meaning set forth in the Recitals.

"**Change of Control Transaction**" means (a) any sale, lease, or transfer or series of sales, leases or transfers of all or substantially all of the consolidated assets of the Corporation and its subsidiaries; (b) any sale, transfer, or disposition (or series of sales, transfers, or dispositions) of 100% of the Common Stock; or (c) any merger, consolidation, recapitalization, or reorganization of the Corporation with or into another Person (whether or not the Corporation is the surviving corporation) that results in the inability of the holders of Common Stock (or other voting stock of the Corporation) immediately prior to such merger, consolidation, recapitalization, or reorganization to designate or elect a majority of the board of directors (or its equivalent) of the resulting entity or its parent company.

"Closing of the LPT" means the date, following receipt of approval of the LPT by the Texas Department of Insurance, that the definitive documentation evidencing the LPT has been executed and delivered by the parties thereto and become effective.

"**Common Stock**" means the voting common stock, par value $0.01 per share, of the Corporation.

"**Corporation**" has the meaning set forth in the Preamble.

"Conversion Date" has the meaning set forth in Section 7.4(a).

"Conversion Period End" has the meaning set forth in Section 7.1(b).

"**Conversion Price**" means $1.74, subject to adjustment as set forth in Section 7.

"**Conversion Shares**" means the shares of Common Stock or other capital stock of the Corporation then issuable upon conversion of the Series A Preferred Stock in accordance with the terms of Section 7.

"**Date of Issuance**" means, for any Share of Series A Preferred Stock, means the date of the original issuance thereof by the Corporation.

"Face Value" means $50.00 per share.

"First Adjustment" has the meaning set forth in Section 7.2.

"LPT" means the loss portfolio transfer transaction to be completed pursuant to the commitment letter dated as of February 25, 2020 between the Corporation and R&O Bermuda (SAC) Limited, a Bermuda limited company, as such transaction may be modified or amended from time to time.

"Mandatory Conversion" has the meaning set forth in Section 7.1(b).

"**Per Share 2019 Tangible Stockholders' Equity**" means $3.49.

"**Person**" means an individual, corporation, partnership, joint venture, limited liability company, governmental authority, unincorporated organization, trust, association, or other entity.

"**Preferred Stock**" has the meaning set forth in the Recitals.

"Qualified IPO" means the sale, in an underwritten public offering led by a nationally recognized underwriting firm pursuant to an effective registration statement under the Securities Act of 1933, as amended, of Common Stock of the Corporation following which aggregate proceeds of not less than $30 million has been received in respect of such offering and any prior underwritten public offerings.

"Reorganization" has the meaning set forth in Section 7.7(b).

"Second Adjustment" has the meaning set forth in Section 7.3.

"**Series A Election Notice**" has the meaning set forth in Section 7.1(a).

"**Series A Preferred Stock**" has the meaning set forth in Section 1.

"**Share**" means a share of Series A Preferred Stock.

"Stockholders' Agreement" means that certain Amended and Restated Stockholders' Agreement by and among The Stockholders Listed in Annex A thereto and the Corporation dated as of March 12, 2014, as amended.

"**Valuation Multiple**" means 0.50x.

3. Rank. With respect to the distribution of assets upon liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary, all Shares of the Series A Preferred Stock shall rank senior to the Corporation's Common Stock and non-voting common stock.

4. Dividends. If the Corporation declares or pays a dividend or distribution on the Common Stock, whether such dividend or distribution is payable in cash, securities or other property, or issues rights, options or warrants to the holders of the Common Stock exercisable to purchase shares of Common Stock, the Corporation shall simultaneously declare and pay a dividend on the Series A Preferred Stock or issue such rights, options or warrants, on a pro rata basis with the Common Stock determined on an as-converted basis assuming all Shares had been converted pursuant to Section 7 as of immediately prior to the record date of the applicable dividend, distribution or issuance (or if no record date is fixed, the date as of which the record holders of Common Stock entitled to such dividend, distribution or issuance are to be determined).

5. Liquidation. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of Shares of Series A Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, before any payment shall be made to the holders of Common Stock by reason of their ownership thereof, an amount in cash equal to the (i) Face Value of each Share of Series A Preferred Stock held plus (ii) the amount of any declared but unpaid dividends payable in respect of the shares of Common Stock underlying such Preferred Stock (the "**Liquidation Amount**"). If upon any liquidation the remaining assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of the Shares of Series A Preferred Stock the full preferential amount to which they are entitled under this Section 5, the holders of the Shares shall share ratably in any distribution of the remaining assets and funds of the Corporation in proportion to the respective full preferential amounts which would otherwise be payable in respect of the Series A Preferred Stock in the aggregate upon such liquidation if all amounts payable on or with respect to such Shares were paid in full, and the Corporation shall not make or agree to make any payments to the holders of the Corporation's Common Stock or non-voting common stock. In the event of the voluntary or involuntary liquidation, dissolution or winding up of the Corporation in circumstances where the Corporation is unable to or does not provide the holders of the Series A Preferred Stock with notice of the effective date of such voluntary or involuntary liquidation, dissolution or winding up of the Corporation in the manner and at the time required by Section 7.7(d), then each holder of Shares of Series A Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders the greater of (i) the Liquidation Amount provided for above, before any payment shall be made to the holders of Common Stock by reason of their ownership thereof, and (ii) the amount that such holder would be entitled to receive as a holder of Common Stock if such holder had converted all of such holder's Preferred Stock at the then applicable Conversion Price immediately prior to the effective date of such voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

6. Voting.

6.1 Voting Generally. Each holder of outstanding Shares of Series A Preferred Stock shall be entitled to vote with holders of outstanding shares of Common Stock, voting together as a single class, with respect to any and all matters presented to the stockholders of the Corporation for their action or consideration (whether at a meeting of stockholders of the Corporation, by written action of stockholders in lieu of a meeting or otherwise), except as provided by law or by the provisions of Section 6.2 below. In any such vote, each Share of Series A Preferred Stock shall be entitled to a number of votes equal to the number of shares of Common Stock (disregarding fractions) issuable upon the conversion in full of the Series A Preferred Stock at the then applicable Conversion Price pursuant to Section 7 herein, as of the record date for such vote or written consent or, if there is no specified record date, as of the date of such vote or written consent. Each holder of outstanding Shares of Series A Preferred Stock shall be entitled to notice of all stockholder meetings (or requests for written consent) in accordance with Section 7.7(d) hereof and to attend such meetings.

6.2 Special Voting Rights. Without the prior written consent of holders of not less than a majority of the then total outstanding Shares of Series A Preferred Stock, acting separately as a single class with one vote per Share, in person or by proxy, either in writing without a meeting or at an annual or a special meeting of such holders, and any other applicable stockholder approval requirements required by law, the Corporation shall not take any actions that would:

(a) alter or change the rights, preferences, or privileges of the Series A Preferred Stock;

(b) create, or authorize the creation of, any additional class or series of capital stock of the Corporation (or any security convertible into or exercisable for any class or series of capital stock of the Corporation), that ranks senior to or in parity with the Series A Preferred Stock in rights, preferences, or privileges;

(c) amend, alter, modify, waive or repeal the Certificate of Incorporation or the bylaws of the Corporation in a manner adverse to the Series A Preferred Stock; or

(d) result in the redemption, purchase or payment by the Corporation for any shares of capital stock of the Corporation.

7. Conversion.

7.1 Right to Convert; Automatic Conversion.

(a) Right to Convert. Subject to the provisions of this Section 7, at any time and from time to time on or after the Date of Issuance, any holder of Series A Preferred Stock shall have the right by written election to the Corporation (a "**Series A Election Notice**") to convert all or any portion of the outstanding

Shares of Series A Preferred Stock (including any fraction of a Share) held by such holder into such number of fully paid and non-assessable shares of Common Stock as is determined by dividing (i) the Face Value times the number of Shares to be converted by (ii) the Conversion Price in effect on the Conversion Date.

(b) Automatic Conversion. Subject to the provisions of this Section 7, upon the closing of any Change of Control Transaction or the closing of a Qualified IPO, in each case which has been approved by the vote or consent of a majority of the entire Board (each an "**Automatic Conversion Event**"), the Preferred Shares will be automatically converted (a "**Mandatory Conversion**") into such number of fully paid and non-assessable shares of Common Stock as is determined by dividing (i) the Face Value times the number of Shares to be converted by (ii) the Conversion Price in effect on the Conversion Date. In connection with any Mandatory Conversion that occurs after the First Adjustment but prior to the Second Adjustment, the Conversion Price shall be further adjusted immediately prior to such Mandatory Conversion to equal the amount determined by multiplying (i) the Valuation Multiple by (ii) the Per Share 2019 Tangible Stockholders' Equity, adjusted for (a) the after-tax cost of the LPT provided for in the First Adjustment, if any; (b) the after-tax impact of any co-participation payments required pursuant to the LPT through the last day of the most recent quarter or year-end of the Corporation for which financial statements have been prepared (the "**Conversion Period End**") measured based on the net reserves according to the Corporation's appointed actuary's best estimate; (c) the after-tax impact of net reserve development relating to the LPT up to the Conversion Period End in excess of the maximum coverage provided by the LPT measured according to the Corporation's appointed actuary's best estimate; and (d) the after-tax impact of 2019 and prior accident years adverse or positive development to the Conversion Period End of the Corporation's consolidated net reserves for losses and loss adjustment expenses for net reserves not subject to the LPT, measured according to the Corporation's appointed actuary's best estimate, each of the foregoing adjustments being calculated on a per share basis using the 2019 Common Stock Outstanding. For clarity, development for reserves not subject to the LPT will be measured as the difference between the recorded non-LPT reserves at December 31, 2019 to the Corporation's appointed actuary's best estimate of such non-LPT reserves at the Conversion Period End. If a closing of an Automatic Conversion Event occurs, such automatic conversion of all of the outstanding Shares of Series A Preferred Stock shall be deemed to have been converted into shares of Common Stock as of immediately prior to such closing.

7.2 Adjustment for LPT Cost. Upon the Closing of the LPT, the Conversion Price shall be adjusted (the "**First Adjustment**") to equal the amount determined by multiplying (i) the Valuation Multiple by (ii) the Per Share 2019 Tangible Stockholders' Equity, adjusted for the after-tax cost of the LPT recorded by the Corporation, calculated on a per share basis using the 2019 Common Stock Outstanding, and as so adjusted, shall be the Conversion Price for all purposes hereunder.

7.3 Adjustment Following 2021 GAAP Financial Statements Audit. Following the completion of the GAAP audit of the consolidated financial statements of the Corporation as at and for the year ended December 31, 2021, the Conversion Price shall be further adjusted (the "**Second Adjustment**") to equal the amount determined by multiplying (i) the Valuation Multiple by (ii) the Per Share 2019 Tangible Stockholders' Equity, adjusted for (a) the after-tax cost of the LPT provided for in the First Adjustment, if any; (b) the after-tax impact of any co-participation payments required pursuant to the LPT through December 31, 2021, measured based on the net reserves according to the Corporation's appointed actuary's best estimate, (c) the after-tax impact of net reserve development relating to the LPT in excess of the maximum coverage provided by the LPT measured according to the Corporation's appointed actuary's best estimate, and (d) the after-tax impact of 2019 and prior accident years adverse or positive development of the Corporation's consolidated net reserves for losses and loss adjustment expenses for net reserves not subject to the LPT, measured according to the Corporation's appointed actuary's best estimate, each of the foregoing adjustments being calculated on a per share basis using the 2019 Common Stock Outstanding, and as so adjusted, shall be the Conversion Price for all purposes hereunder. For clarity, development for reserves not subject to the LPT will be measured as the difference between the recorded non-LPT reserves at December 31, 2019 to the Corporation's appointed actuary's best estimate of such non-LPT reserves at the December 31, 2021.

7.4 Procedures for Conversion; Effect of Conversion.

(a) Procedures for Holder Conversion. In order to effectuate a conversion of Shares of Series A Preferred Stock pursuant to Section 7.1(a), a holder shall (a) submit a Series A Election Notice to the Corporation that such holder elects to convert Shares and specifying the number of Shares elected to be converted and (b) surrender, along with such written election, to the Corporation the certificate or certificates representing the Shares being converted, duly assigned or endorsed for transfer to the Corporation (or accompanied by duly executed stock powers relating thereto) or, in the event the certificate or certificates are lost, stolen, or missing, accompanied by an affidavit of loss executed by the holder. The conversion of such Shares hereunder shall be deemed effective as of the close of business on the date of surrender of such Series A Preferred Stock certificate or certificates or delivery of such affidavit of loss (such date, the **"Conversion Date"**). Upon the receipt by the Corporation of a Series A Election Notice and the surrender of such certificate(s) and accompanying materials, the Corporation shall as promptly as practicable (but in any event within ten (10) days thereafter) deliver to the relevant holder (a) a certificate in such holder's name (or the name of such holder's designee as stated in the written election) for the number of shares of Common Stock to which such holder shall be entitled upon conversion of the applicable Shares as calculated pursuant to Section 7.1(a) and, if applicable (b) a certificate in such holder's (or the name of such holder's designee as stated in the Series A Election Notice) for the number of Shares of Series A Preferred Stock (including any fractional share) represented by the certificate or certificates delivered to the Corporation for conversion but

otherwise not elected to be converted pursuant to the written election. All shares of capital stock issued hereunder by the Corporation shall be duly and validly issued, fully paid, and non-assessable, free and clear of all taxes, liens, charges, and encumbrances with respect to the issuance thereof.

(b) Procedures for Automatic Conversion. In the event of a Mandatory Conversion, all outstanding Shares of Series A Preferred Stock shall be converted into the number of shares of Common Stock calculated pursuant to Section 7.1(b) without any further action by the relevant holder of such Shares or the Corporation. As promptly as practicable following such Mandatory Conversion (but in any event within ten (10) days thereafter), the Corporation shall send each holder of Shares of Series A Preferred Stock written notice of such event. Upon receipt of such notice, each holder shall surrender to the Corporation the certificate or certificates representing the Shares being converted, duly assigned, or endorsed for transfer to the Corporation (or accompanied by duly executed stock powers relating thereto) or, in the event the certificate or certificates are lost, stolen, or missing, accompanied by an affidavit of loss executed by the holder. Upon the surrender of such certificate(s) and accompanying materials, the Corporation shall as promptly as practicable (but in any event within ten (10) days thereafter) deliver to the relevant holder a certificate in such holder's name (or the name of such holder's designee as stated in the written election) for the number of shares of Common Stock to which such holder shall be entitled upon conversion of the applicable Shares.

(c) Effect of Conversion. All Shares of Series A Preferred Stock converted as provided in this Section 7 shall no longer be deemed outstanding as of the effective time of the applicable conversion and all rights with respect to such Shares shall immediately cease and terminate as of such time, other than the right of the holder to receive shares of Common Stock into which such Shares have been converted. The Corporation shall not issue fractional shares of Common Stock upon any conversion of shares of Series A Preferred Stock and shall instead deliver to the relevant transferee a check in an amount equal to the value of the applicable fraction based on the applicable Conversion Price. All shares of Common Stock issued hereunder by the Corporation shall be duly and validly issued, fully paid, and non-assessable, free and clear of all taxes, liens, charges, and encumbrances with respect to the issuance thereof. Upon conversion of a holder's shares of Series A Preferred Stock in accordance with Section 7.1 hereof, such holder shall remain entitled to receive any declared but unpaid dividends in respect of the shares of Common Stock issuable upon conversion of such Series A Preferred Stock as and when paid to the holders of Common Stock.

(d) Minimum Conversion Price. If an adjustment in the Conversion Price made hereunder would reduce the Conversion Price to an amount below par value of the Common Stock, then such adjustment in Conversion Price made hereunder shall reduce the Conversion Price to the par value of the Common Stock, namely $0.01.

7.5 Reservation of Stock. The Corporation shall at all times when any Share of Series A Preferred Stock is outstanding reserve and keep available out of its authorized but unissued shares of capital stock, solely for the purpose of issuance upon the conversion of the Series A Preferred Stock, such number of shares of Common Stock issuable upon the conversion of all outstanding Series A Preferred Stock pursuant to this Section 7, taking into account any adjustment to such number of shares so issuable in accordance with Section 7 hereof. The Corporation shall take all such actions as may be necessary to ensure that all such shares of Common Stock may be so issued without violation of any applicable law or governmental regulation or any requirements of any domestic securities exchange upon which shares of Common Stock may be listed (except for official notice of issuance which shall be immediately delivered by the Corporation upon each such issuance). The Corporation shall not close its books against the transfer of any of its capital stock in any manner which would prevent the timely conversion of the Shares of Series A Preferred Stock.

7.6 No Charge or Payment. The issuance of certificates for shares of Common Stock upon conversion of Shares of Series A Preferred Stock pursuant to Section 7 shall be made without payment of additional consideration by, or other charge, cost, or tax to, the holder in respect thereof.

7.7 Adjustment to Conversion Price and Number of Conversion Shares. In order to prevent dilution of the conversion rights granted under this Section 7, the Conversion Price and the number of Conversion Shares issuable on conversion of the Shares, the outstanding Shares of Series A Preferred Stock shall be subject to adjustment from time to time as provided in this Section 7.7.

(a) Adjustment to Conversion Price and Conversion Shares upon Dividend, Subdivision, or Combination of Common Stock. If the Corporation shall, at any time or from time to time after the Date of Issuance, (i) pay a dividend or make any other distribution upon the Common Stock or any other capital stock of the Corporation payable in shares of Common Stock or in any warrants or other rights or options to subscribe for or purchase Common Stock or any securities (directly or indirectly) convertible into or exchangeable for Common Stock, or (ii) subdivide (by any stock split, recapitalization, or otherwise) its outstanding shares of Common Stock into a greater number of shares, the Conversion Price in effect immediately prior to any such dividend, distribution, or subdivision shall be proportionately reduced and the number of Conversion Shares issuable upon conversion of the Series A Preferred Stock shall be proportionately increased. If the Corporation at any time combines (by combination, reverse stock split, or otherwise) its outstanding shares of Common Stock into a smaller number of shares, the Conversion Price in effect immediately prior to such combination shall be proportionately increased and the number of Conversion Shares issuable upon conversion of the Series A Preferred Stock shall be proportionately decreased. Any adjustment under this Section 7.7(a) shall become effective at the close of business on the date the dividend, subdivision, or combination becomes effective.

(b) Adjustment to Conversion Price and Conversion Shares upon Reorganization, Reclassification, Consolidation, or Merger. In the event of any (i) capital reorganization of the Corporation, (ii) reclassification of the stock of the Corporation (other than a change in par value or from par value to no par value or from no par value to par value or as a result of a stock dividend or subdivision, split-up or combination of shares), (iii) consolidation or merger of the Corporation with or into another Person, (iv) sale of all or substantially all of the Corporation's assets to another Person or (v) other similar transaction, (each a **"Reorganization"**, except that a Reorganization shall not include a Reorganization that results in a Mandatory Conversion under Section 7.1(b)), in each case which entitles the holders of Common Stock to receive (either directly or upon subsequent liquidation) stock, securities, or assets with respect to or in exchange for Common Stock, each Share of Series A Preferred Stock shall, immediately after such Reorganization, remain outstanding and shall thereafter, in lieu of or in addition to (as the case may be) the number of Conversion Shares then convertible for such Share, be exercisable for the kind and number of shares of stock or other securities or assets of the Corporation or of the successor Person resulting from such transaction to which such Share would have been entitled upon such Reorganization if the Share had been converted in full immediately prior to the time of such Reorganization and acquired the applicable number of Conversion Shares then issuable hereunder as a result of such conversion (without taking into account any limitations or restrictions on the convertibility of such Share, if any); and, in such case, appropriate adjustment shall be made with respect to such holder's rights under this Certificate of Designation to insure that the provisions of this Section 7.7 hereof shall thereafter be applicable, as nearly as possible, to the Series A Preferred Stock in relation to any shares of stock, securities, or assets thereafter acquirable upon conversion of Series A Preferred Stock. The Corporation shall not effect any such Reorganization unless, prior to the consummation thereof, the successor Person (if other than the Corporation) resulting from such Reorganization shall assume, by written instrument substantially similar in form and substance to this Certificate of Designation, the obligation to deliver to the holders of Series A Preferred Stock such shares of stock, securities, or assets which, in accordance with the foregoing provisions, such holders shall be entitled to receive upon conversion of the Series A Preferred Stock. Notwithstanding anything to the contrary contained herein, with respect to any corporate event or other transaction contemplated by the provisions of this Section 7.7, each holder of Shares of Series A Preferred Stock shall have the right to elect prior to the consummation of such event or transaction, to give effect to the provisions of Section 7.1(a) (if applicable to such event or transaction), instead of giving effect to the provisions contained in this Section 7.7 with respect to such holder's Series A Preferred Stock.

(c) Certificate as to Adjustment.

(i) As promptly as reasonably practicable following any adjustment of the Conversion Price or the number or type of securities

issuable upon conversion pursuant to this Section 7, but in any event not later than ten 10 days thereafter, the Corporation shall furnish to each holder of record of Series A Preferred Stock at the address specified for such holder in the books and records of the Corporation (or at such other address as may be provided to the Corporation in writing by such holder) a certificate of an executive officer setting forth in reasonable detail such adjustment and the facts upon which it is based and certifying the calculation thereof.

(ii) As promptly as reasonably practicable following the receipt by the Corporation of a written request by any holder of Series A Preferred Stock, but in any event not later than ten 10 days thereafter, the Corporation shall furnish to such holder a certificate of an executive officer certifying the Conversion Price then in effect and the number of Conversion Shares or the amount, if any, of other shares of stock, securities, or assets then issuable to such holder upon conversion of the Shares of Series A Preferred Stock held by such holder.

(d) Notices of Events. In the event:

(i) that the Corporation shall take a record of the holders of its Common Stock (or other capital stock or securities at the time issuable upon conversion of the Series A Preferred Stock) for the purpose of entitling or enabling them to receive any dividend or other distribution, to vote at a meeting (or by written consent), to receive any right to subscribe for or purchase any shares of capital stock of any class or any other securities, or to receive any other security; or

(ii) of any capital reorganization of the Corporation, any reclassification of the Common Stock of the Corporation, any consolidation or merger of the Corporation with or into another Person, or sale of all or substantially all of the Corporation's assets to another Person; or

(iii) of the voluntary or involuntary dissolution, liquidation, or winding-up of the Corporation;

then, and in each such case, the Corporation shall send or cause to be sent to each holder of record of Series A Preferred Stock at the address specified for such holder in the books and records of the Corporation (or at such other address as may be provided to the Corporation in writing by such holder) at least ten (10) days prior to the applicable record date or the applicable expected effective date, as the case may be, notice of (A) the record date for such dividend, distribution, meeting or consent, or other right or action, and a description of such dividend, distribution, or other right or action to be taken at such meeting or by written consent, or (B) the effective date on which such reorganization, reclassification,

consolidation, merger, sale, dissolution, liquidation, or winding-up is proposed to take place, and the date, if any is to be fixed, as of which the books of the Corporation shall close or a record shall be taken with respect to which the holders of record of Common Stock shall be entitled to exchange their shares of Common Stock (or such other capital stock or securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation, or winding-up, and the amount per share and character of such exchange applicable to the Series A Preferred Stock and the Conversion Shares.

(e) General.

(i) The adjustments provided for in this Section 7.7 are cumulative and shall apply to successive dividends, distributions, subdivisions, combinations, consolidations, or other events resulting in any adjustment under the provisions of this Section 7.7. No adjustment shall be required under this Section 7.7 in respect of any action affecting the Common Stock if holders of the Series A Preferred Stock are entitled to participate equally on an as-converted basis.

(ii) In the event of any question arising with respect to the adjustments provided in this Section 7.7, such question shall be conclusively determined by a disinterested nationally recognized accounting firm (who are not auditors of the Corporation) appointed jointly by the Corporation and the holders of Series A Preferred Stock holding a majority of the Series A Preferred Stock, acting reasonably. Such accountants shall have access to all necessary records of the Corporation and such determination shall be binding upon the Corporation and the holders of the Series A Preferred Stock.

(iii) For the purpose of calculating the number of shares of Common Stock outstanding under the provisions of this Section 7.7, Common Stock owned by or for the benefit of the Corporation or any subsidiary thereof shall not be counted.

(iv) In case the Corporation shall take any action affecting the Common Stock other than action described in this Section 7.7, which the Board determines would adversely affect the rights of holders of the Series A Preferred Stock, the Conversion Price may be adjusted, to the extent permitted by law, in such manner, if at all, and at such time, as the Board in its sole discretion may determine to be equitable in the circumstances; provided, however, that in no event shall the Board be required to take any such action. Failure of the Board to make such an adjustment shall be conclusive evidence that they have determined that it is equitable to make no adjustment in the circumstances.

(v) If any adjustment to the Conversion Price is made under this Section 7.7 prior to either the First Adjustment or the Second Adjustment, the adjustments provided for in Section 7.2 and/or 7.3 shall be adjusted accordingly.

8. Reissuance of Series A Preferred Stock. Any Shares of Series A Preferred Stock, converted or otherwise acquired by the Corporation or any of its subsidiaries shall be cancelled and retired as authorized and issued shares of capital stock of the Corporation and no such Shares shall thereafter be reissued, sold, or transferred.

9. Redemption. The Shares of Series A Preferred Stock shall not be redeemable by the Corporation.

10. Notices. Except as otherwise provided herein, all notices, requests, consents, claims, demands, waivers, and other communications hereunder shall be in writing and shall be deemed to have been given: (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or e-mail of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next business day if sent after normal business hours of the recipient; or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent (a) to the Corporation, at its principal executive offices and (b) to any stockholder, at such holder's address at it appears in the stock records of the Corporation (or at such other address for a stockholder as shall be specified in a notice given in accordance with this Section).

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Certificate of Designation is executed on behalf of the Corporation by its Executive Vice President this 21st day of April, 2020.

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.

By: _____
Rhonda N. Kemp
Executive Vice President

State of Delaware
Secretary of State
Division of Corporations
Delivered 03:59 PM 11/12/2020
FILED 03:59 PM 11/12/2020
SR 20208370204 - File Number 4088293

CERTIFICATE OF AMENDMENT
TO
THIRD AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION OF
HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.

Houston International Insurance Group, Ltd. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "DGCL"), hereby certify as follows:

1. This Certificate of Amendment (this "Amendment) amends the provisions of the Corporation's Third Amended and Restated Certificate of Incorporation ("Certificate of Incorporation") filed with the Secretary of States of Delaware on August 1, 2014.

2. In accordance with Sections 222, 228 and 242 of the General Corporation Law of the State of Delaware, the Board of Directors of the Corporation has duly adopted resolutions setting forth the proposed amendment to the Certificate of Incorporation, declaring such amendment to be advisable. The resolution setting forth the proposed amendment is as follows:

   "RESOLVED, that the Certificate of Incorporation is hereby amended by changing the First Article so that, as amended, said Article shall be and read as follows:

   "The name of the corporation is Skyward Specialty Insurance Group, Inc. "

3. This amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this certificate of Amendment to be executed this 11th day of November, 2020.

By: _____
Leslie Shaunty, Chief Legal Officer & Secretary

Exhibit 3.4

AMENDED AND RESTATED

BYLAWS

OF

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.

AS AMENDED AND RESTATED ON JULY 31, 2014

Capitalized terms used but not defined herein shall have the respective meanings set forth in the Amended and Restated Stockholders' Agreement, dated as of March 12, 2014, among the Company and its stockholders (the "Stockholders' Agreement").

ARTICLE I

Stockholders

Section 1.1. Annual Meetings. An annual meeting of Stockholders shall be held for the election of Directors at such date, time and place either within or without the State of Delaware as may be designated by the Board of Directors from time to time. Any other proper business may be transacted at the annual meeting.

Section 1.2. Special Meetings. Special meetings of Stockholders may be called at any time by the Chairman of the Board of Directors, if any, the Vice Chairman of the Board of Directors, if any, the Chief Executive Officer or the Board of Directors, to be held at such date, time and place either within or without the State of Delaware as may be stated in the notice of the meeting. A special meeting of Stockholders shall be called by the Secretary upon the written request, stating the purpose of the meeting, of Stockholders who together own of record a majority of any class of Shares entitled to vote at such meeting.

Section 1.3. Participation in Meetings by Means of Remote Communication. The Board of Directors may, in its sole discretion, determine that any meeting of Stockholders be held solely by means of remote communication at which Stocld1olders and proxy holders may, by means of remote communication (a) participate in a meeting of Stockholders and (b) be deemed present in person and vote at a meeting of Stocld1olders whether such meeting is to be held at a designated place or solely by means of remote communication.

Section 1.4. Notice of Meetings. Whenever Stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, if any, date and hour of the meeting, the means of remote communication, if any, by which Stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

Unless otherwise provided by law, the written notice of any meeting shall be given not less than ten nor more than sixty days before the date of the meeting to each Stockholder entitled to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the Stockholder at such Stockholder's address as it appears on the records of the Company.

Section 1.5. Adjournments. Any meeting of Stockholders, annual or special, may be adjourned from time to time, to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place, if any, thereof, and the means of remote communication, if any, by which Stocld1olders and proxy holders may be deemed present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Company may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Stockholder of record entitled to vote at the meeting.

Section 1.6. Quorum. At each meeting of Stockholders, except where otherwise provided by law or the Charter or these Bylaws, the holders of a majority of the outstanding Shares entitled to vote on a matter at the meeting, present in person or represented by proxy, shall constitute a quorum. For purposes of the foregoing, where a separate vote by class or classes is required for any matter, the holders of a majority of the outstanding Shares of such class or classes, present in person or represented by proxy, shall constitute a quorum to take action with respect to that vote on that matter. Two or more classes or series of Shares shall be considered a single class if the holders thereof are entitled to vote together as a single class at the meeting. In the absence of a quorum of the holders of any class of Shares entitled to vote on a matter, the holders of such class, so present or represented may, by majority vote, adjourn the meeting of such class from time to time in the manner provided by Section 1.5 of these Bylaws until a quorum of such class shall be so present or represented. Shares belonging on the record date for the meeting to the Company or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Company, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of the Company to vote stock, including but not limited to Shares, held by it in a fiduciary capacity.

Section 1.7. Organization. Meetings of Stockholders shall be presided over by the Chairman of the Board of Directors, if any, or in the absence of the Chairman of the Board of Directors by the Vice Chairman of the Board of Directors, if any, 01· in the absence of the Vice Chairman of the Board of Directors by the Chief Executive Officer, or in the absence of the Chief Executive Offtce1·by a Vice President, or in the absence of the foregoing persons by a chairman designated by the Board of Directors, or in the absence of such designation by a chairman chosen at the meeting. The Secretary, or in the absence of the Secretary an Assistant Secretary, shall act as secretary of the meeting, but in the absence of the Secretary and any Assistant Secretary the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 1.8. Voting; Proxies. Unless otherwise provided in the Charter, each Stockholder entitled to vote at any meeting of Stockholders shall be entitled to one vote for each Share held by such Stockholder which has voting power upon the matter in question. Each Stockholder entitled to vote at a meeting of Stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such Stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power, regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the Company generally. A Stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date with the Secretary of the Company. Voting at meetings of Stockholders need not be by written ballot unless the holders of a majority of the outstanding Shares entitled to vote thereon present in person or represented by proxy at such meeting shall so determine. If authorized by the Board of Directors, such requirement of a written ballot shall be satisfied by a ballot submitted by electronic transmission. Except as otherwise provided in these Bylaws or in the Chatter, Directors shall be electe9 by a plurality of the votes of the Shares present in person or represented by proxy at the meeting and entitled to vote on the election of Directors. In all other matters, unless otherwise provided by law or by the Charter or these Bylaws, the affirmative vote of the holders of a majority of the Shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the Stockholders. Where a separate vote by class or classes is required, the affirmative vote of the holders of a majority of the Shares of such class or classes present in person or represented by proxy at the meeting shall be the act of such class or classes, except as otherwise provided by law or by the Charter or these Bylaws.

Section 1.9. Fixing Date for Determination of Stockholders of Record. In order that the Company may determine the Stockholders entitled to notice of or to vote at any meeting of Stockholders or any adjournment thereof, the Board of Directors may fix a record date, or delegate the task of fixing a record date to a committee consisting of one or more directors of the Company, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty nor less than ten days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining Stockholders entitled to notice of or to vote at a meeting of Stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of Stockholde1·s of record entitled to notice of or to vote at a meeting of Stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

In order that the Company may determine the Stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining Stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Company by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Company having custody of the book in which proceedings of meetings of Stockholders are recorded. Delivery made to the Company's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

In order that the Company may determine the Stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of Shares, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty days prior to such action. If no record date is fixed, the record date for determining Stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 1.10. List of Stockholders Entitled to Vote. The Secretary shall prepare and make available, at least ten days before every meeting of Stockholders, a complete list of the Stocld1olders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each Stocld1older and the number of shares registered in the name of each Stockholder. Such list need not, however, include electronic mail addresses or other electronic contact information. Such list shall be open to the examination of any Stockholder, for any purpose germane to the meeting, for a period of at least ten days prior to the meeting, (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting or (ii) during ordinary business hours, at the principal place of business of the Company. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any Stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any Stocld1older during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting.

Section 1.11. Consent of Stockholders in Lieu of Meeting. Unless otherwise provided in the Charter or by law, any action required by law to be taken at any annual or special meeting of Stockholders, or any action which may be taken at any annual or special meeting of Stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding Shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all Shares entitled to vote thereon were present and voted and shall be delivered to the Company by delivery to (a) its registered office in the State of Delaware by hand or by certified mail or registered mail, return receipt requested, (b) its principal place of business, or (c) an officer or agent of the Company having custody of the book in which proceedings of meetings of Stockholders are recorded. Every written consent shall bear the date of signature of each Stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty days of the earliest dated consent delivered in the manner required by this Bylaw to the Company, written consents signed by a sufficient number of holders to take action are delivered to the Company by delivery to (a) its registered office in the State of Delaware by hand or by certified or registered mail, return receipt requested, (b) its principal place of business, or (c) an officer or agent of the Company having custody of the book in which proceedings of meetings of Stockholders are recorded. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those Stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of Stockholders to take the action were delivered to the Company as provided in this Section 1.11.

ARTICLE II

Board of Directors

Section 2.1. Powers; Number; Qualifications: Vacancies. The business and affairs of the Company shall be managed by or under the direction of the Board of Directors, except as may be otherwise provided by law or in the Charter. The Board of Directors shall consist of ten members (each member of the Board of Directors, a "Director") until the closing of the transactions contemplated by that certain Remaining Shares Purchase Agreement, at which time the Board of Directors shall decrease to eight members. In the event the Remaining Shares Purchase Agreement is terminated in accordance with its terms, the Board of Directors shall decrease to nine members. Other than as provided in this Section 2.1, the number of Directors may be increased only by a unanimous vote of the entire Board of Directors.

Section 2.2. Election; Term of Office; Resignation; Removal; Special Rights and Restrictions. Each Director shall hold office until his or her successor is elected and qualified or until such Director's earlier resignation or removal. Any Director may resign at any time upon notice given in writing or by electronic transmission to the Board of Directors or to the Chief Executive Officer or the Secretary of the Company. Such resignation shall take effect at the time specified therein, and unless otherwise specified therein no acceptance of such resignation shall be necessary to make it effective. Any Director may be removed for cause by a majority vote of the Board of Directors. If at any time any Stockholder notifies the other Stockholders in writing of its desire to remove, without cause, any Director of the Company previously designated by such Stockholder, each other Stockholder shall vote any and all of its Shares that are then entitled to vote so as to remove such Director without cause. The Stockholder requesting such removal shall indemnify and hold harmless each other Stockholder and its directors, officers, partners, stockholders, agents and employees against any losses, claims damages, liabilities and expenses incurred as a result of any such removal.

Section 2.3. Regular Meetings. Regular meetings of the Board of Directors may be held at such places within or without the State of Delaware and at such times as the Board of Directors may from time to time determine, and if so determined notice thereof need not be given; provided, however, that the Board of Directors shall meet, to the extent practicable, quarterly; provided, further, that so long as any Lightyear Designee serves on the Board of Directors, the Company shall use its commercially reasonable efforts to cause all in-person meetings of the Board of Directors to be held in New York, New York.

Section 2.4. Special Meetings. Special meetings of the Board of Directors may be held at any time or place within or without the State of Delaware whenever called by the Chairman of the Board of Directors, if any, by the Vice Chairman of the Board of Directors, if any, by the President or by any two Directors; provided, however, that so long as any Lightyear Designee serves on the Board of Directors, the Company shall use its commercially reasonable efforts to cause all in-person meetings of the Board of Directors to be held in New York, New York.

Section 2.5. Notice of Meetings and Meeting Materials. Special meetings of the Board of Directors must be preceded by at least two days' notice of the date, time and place of the meeting. The notice may be given orally, in person or by telephone, or delivered in writing by mail, email or other reasonable means.

Section 2.6. Participation in Meetings by Conference Telephone Permitted. Unless otherwise restricted by the Charter or these Bylaws, members of the Board of Directors, or any committee designated by the Board of Directors may participate in a meeting of the Board of Directors or of such committee, as the case may be, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Bylaw shall constitute presence in person at such meeting.

Section 2.7. Organization. Meetings of the Board of Directors shall be presided over by the Chairman of the Board of Directors, if any, or in the absence of the Chairman of the Board of Directors by the Vice Chairman of the Board of Directors, if any, or in the absence of the Vice Chairman of the Board of Directors by the Chief Executive Officer, or in their absence by a chairman chosen at the meeting. The Secretary, or in the absence of the Secretary an Assistant Secretary, shall act as secretary of the meeting, but in the absence of the Secretary and any Assistant Secretary the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 2.8. Action by Directors Without a Meeting. Unless otherwise restricted by the Charter or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or of such committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board of Directors or committee.

Section 2.9. Compensation of Directors. Unless otherwise restricted by the Charter or these Bylaws, the Directors shall not be compensated. Directors shall be reimbursed for their reasonable costs and expenses to the extent incurred in connection with or resulting from their service as Directors.

ARTICLE III

Committees

Section 3.1. Committees. The Board of Directors may designate one or more committees; provided, that no committee designated shall have any of the powers otherwise granted to another committee. Each committee shall consist of one or more of the Directors of the Company.

In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors, but only with the Partnership's written consent in the event such absent or disqualified member is a Partnership Designee, with Lightyear's written consent in the event such absent or disqualified member is a Lightyear Designee, and with Stephen L. Way's ("Way") consent in the event such absent or disqualified member was designated by Way, to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors or in these Bylaws, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Company, and may authorize the seal of the Company to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to the following matters:

(a) approving or adopting, or recommending to the Stockholders, any action or matter expressly required by law to be submitted to Stockholders for approval;

(b) adopting, amending or repealing these Bylaws; or

(c) removing or indemnifying Directors.

No committee may take any action requiring approval of the Stockholders or the Board of Directors by law, contract or agreement absent such approval.

Section 3.2. Compensation Committee. The Board of Directors shall appoint from among its members a Compensation Committee consisting at all times of three Directors, two of whom shall at all times be Partnership Designees (who shall initially be Cameron MacDonald (Chairman) and Rob Kittel) and one of whom shall at all times be Way, until he is no longer a Director; provided that until the Closing of the transactions contemplated by the Remaining Shares Purchase Agreement, the Compensation Committee shall in addition consist of an additional Director who shall be a Lightyear Designee. The Compensation Committee shall review and recommend to the Board of Directo1·s the compensation of the senior managers of the Company and any such other general matters of compensation policy as the Board of Directors may delegate. The Compensation Committee shall keep minutes of its meetings, and such minutes shall be submitted at the next regular meeting of the Board of Directors.

Section 3.3. Audit Committee. The Board of Directors shall appoint from among its members an Audit Committee consisting at all times of three Directors, two of whom shall at all times be Partnership Designees (who shall initially be Bill Andrus and Rob Kittell) and one of whom shall at all times be designated by Way (who shall initially be Robert Creager·(Chairman)); provided, that until the Closing of the transactions contemplated by the Remaining Shares Purchase Agreement, the Audit Committee shall in addition consist of an additional Director who shall be a Lightyea1·Designee. The Audit Committee shall review the financial statements of the Company, the system of controls which management of the Company has established and the internal audit process of the Company. The Audit Committee shall keep minutes of its meetings, and such minutes shall be submitted at the next regular meeting of the Board of Directors.

Section 3.4. Executive Committee. The Board of Directors shall appoint from among its members an Executive Committee consisting at all times of three Directors, two of whom shall at all times be Partnership Designees (who shall initially be Cameron MacDonald (Chairman) and Rob Kittell) and one of whom shall at all times be Way, until he is no longer a Director; provided that until the Closing of the transactions contemplated by the Remaining Shares Purchase Agreement, the Executive Committee shall in addition consist of an additional Director who shall be a Lightyear Designee. Between meetings of the Board, the Executive Committee shall have and may exercise all of the authority of the Board of Directors except to the extent, if any, that such authority shall be limited by the resolution appointing the Executive Committee or shall otherwise be reserved to the full Board of Directors. The Executive Committee shall keep minutes of its meetings, and such minutes shall be submitted at the next regular meeting of the Board of Directors.

Section 3.5. Committee Rules. Unless the Board of Directors otherwise provides, each committee designated by the Board of Directors may adopt, amend and repeal rules for the conduct of its business. In the absence of a provision by the Board of Directors or a provision in the rules of such committee to the contrary, a majority of the entire authorized number of members of such committee shall constitute a quorum for the transaction of business, the vote of a majority of the entire committee at a meeting at which a quorum is then present shall be the act of such committee, and in other respects each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to Article II of these by-laws.

ARTICLE IV

Officers

Section 4.1. Officers; Election. As soon as practicable after the annual meeting of Stockholders in each year, the Board of Directors shall elect officers as the Board of Directors may deem desirable or appropriate, including a Chairman, Vice Chairman, Vice President, Assistant Vice President, Assistant Secretary, Treasurer and Assistant Treasurer, and may give any of them such further designations or alternate titles as it considers desirable. Any number of offices may be held by the same person unless the Charter or these Bylaws otherwise provide.

Section 4.2. Term of Office; Resignation; Removal; Vacancies. Unless otherwise provided in the resolution of the Board of Directors electing any officer, each officer shall hold office until such officer's successor is elected and qualified or until such officer's earlier resignation or removal. Any officer may resign at any time upon written notice to the Board of Directors or to the Chief Executive Officer or the Secretary of the Company. Such resignation shall take effect at the time specified therein, and unless otherwise specified therein no acceptance of such resignation shall be necessary to make it effective.

Section 4.3. Powers and Duties. The officers of the Company shall have such powers and duties in the management of the Company as shall be stated in these Bylaws or in a resolution of the Board of Directors which is not inconsistent with these Bylaws and, to the extent not so stated, as generally pertain to their respective offices, subject to the control of the Board of Directors. The Secretary shall have the duty to record the proceedings of the meetings of the stockholders, the Boa1·d of Directors and any committees in a book to be kept for that purpose. The Board of Directors may require any officer, agent or employee to give security for the faithful performance of his or her duties.

ARTICLE V

Stock

Section 5.1. Certificates. Every holder of Shares shall be entitled to have a certificate signed by or in the name of the Company by the Chairman or Vice Chairman of the Board of Directors, if any, or the Chief Executive Officer or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, of the Company, representing the number of Shares owned by such holder. If such certificate is manually signed by one officer or manually countersigned by a transfer agent or by a registrar, any other signature on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Company with the same effect as if such person were such officer, transfer agent or registrar at the date of issue. The Company shall not issue any certificate in bearer form.

The powers, designations, preferences and relative, participating, optional or other special rights of each class of Shares or series thereof and the qualifications or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the Company shall issue to represent such class or series of Shares, provided that, except as otherwise provided by law, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the Company shall issue to represent such class or series of Shares a statement that the Company will furnish without charge to each Stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special fights of each class of Shares or series thereof and the qualifications, limitations or· restrictions of such preferences and/or rights, Within a reasonable time after the issuance 01· transfer of uncertificated Shares, the Company shall send to the registered owner thereof a written notice containing the information required by law to be set forth or stated on certificates or a statement that the Company will furnish without charge to each Stockholder who so requests the powers, designations, preferences and relative, pa1ticipating, optional or other special rights of each class of Shares or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Section 5.2. Lost. Stolen or Destroyed Stock Certificates; Issuance of New Certificates. The Company may issue a new certificate of Shares in the place of any ce1tificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Company may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the Company a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new ce1tificate.

ARTICLE VI

Miscellaneous

Section 6.1. Fiscal Year. The fiscal year of the Company shall be determined by the Board of Directors.

Section 6.2. Seal. The Company may have a corporate seal which shall have the name of the Company inscribed thereon and shall be in such form as may be approved from time to time by the Board of Directors. The corporate seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced,

Section 6.3. Waiver of Notice of Meetings of Stockholders, Directors and Committees. Whenever notice is required to be given by law or under any provision of the Charter or these Bylaws, a written waiver thereof, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the· Stockholders, Directors or members of a committee of directors need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by the Charter or these Bylaws.

Section 6.4. Interested Directors; Quorum. No contract or transaction between the Company and one or more of its Directors or officers, or between the Company and any other corporation, partnership, association or other organization in which one or more of its Directors or office1·s, are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the Director or officer is present at or pa1ticipates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because any such Director's or officer's votes are counted for such purpose, if: (1) the material facts as to the Director's or officer's relationship or interest and as to the contract 01·transaction are disclosed or are known to the Board of Directors or the committee, and the Boa1·d of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested Directors, even though the disinterested Directors be less than a quorum; or (2) the material facts as to the Director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the Stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the Stockholders; or (3) the contract or transaction is fair as to the Company as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the Stockholders. Common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

Section 6.5. Form of Records. Any records maintained by the Company in the regular course of its business, including its stock ledger, books of account and minute books, may be kept on, or by means of, or be in the form of, any information storage device or method, provided that the records so kept can be converted into clearly legible paper form within a reasonable time. The Company shall so convert any records so kept upon the request of any person entitled to inspect the same.

Section 6.6. Amendment of By-Laws. These Bylaws may be amended or repealed, and new by-laws adopted, by the vote of (i) 66 2/3 % of the entire Board of Directors or (ii) the holders of 80% of the Shares entitled to vote thereon, but no such amendment shall be valid unless it is in accordance with the Stockholders' Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned, a duly authorized officer of the Company, certifies that the above are the duly approved and adopted amended and restated bylaws of the Corporation on this 3lst day of July, 2014.

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.

By: /s/Peter W. Presperin
Name: Peter W. Presperin
Title: Secretary

Signature Page to Amended and Restated Bylaws of
Houston International Insurance Group, Ltd

Exhibit 4.1

Execution Version

AMENDED AND RESTATED STOCKHOLDERS' AGREEMENT

By and Among

THE STOCKHOLDERS LISTED IN ANNEX A

and

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.

DATED AS OF MARCH 12, 2014

EXHIBITS

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AMENDED AND RESTATED STOCKHOLDERS' AGREEMENT

OF

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.

This STOCKHOLDERS' AGREEMENT (this "Agreement"), is dated as of March 12, 2014, by and among HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation (the "Company"), and the Stockholders listed in Annex A (each a "Stockholder" and, collectively, the "Stockholders").

WITNESSETH:

WHEREAS, the Company and certain of the Stockholders are parties to an amended and restated Stockholders' Agreement, dated September 24, 2010 (the "Prior Agreement"); and

WHEREAS, the Westaim HIIG Limited Partnership (the "Partnership"), Lightyear Fund II L.P. and Lightyear Co-Invest Partnership II, L.P. (collectively, "Lightyear") and certain Stockholders represented by Lightyear (together with Lightyear, the "Selling Stockholders") are parties to a Stock Purchase Agreement dated as of March 12, 2014 (as amended from time to time, the "Initial Purchase Agreement"), pursuant to which, among other things, on the "Closing" (as defined in and in accordance with the Initial Purchase Agreement, the "Effective Time"), the Partnership will purchase from the Selling Stockholders an aggregate of 3,841,265 shares of voting common stock, par value $.01 per share ("Voting Common Stock") and an aggregate of 544,700 shares of non-voting common stock, par value $.01 per share ("Non-Voting Common Stock" and, together with the Voting Common Stock, the "Common Stock"), of the Company ("Initial Purchased Common Stock"); and

WHEREAS, the Partnership and the Company are parties to a Subscription Agreement dated as of March 12, 2014 (as amended from time to time, the "Subscription Agreement"), pursuant to which, among other things, at the Effective Time, the Partnership will purchase from the Company an aggregate of 15,424,165 shares of Voting Common Stock, (the "Subscribed Common Stock") upon the terms and subject to the conditions set forth in the Subscription Agreement (the "Subscription"); and

WHEREAS, the Partnership, Lightyear, and the Selling Stockholders other than Lightyear will be, as of the Closing of the Initial Purchase Agreement, parties to a Remaining Shares Purchase Agreement (as amended from time to time, the "Remaining Shares Purchase Agreement" and together with the Initial Purchase Agreement, the "Purchase Agreements")), pursuant to which, among other things, within six (6) months (extendable to nine (9) months if all conditions to closing of the transactions contemplated by the Remaining Shares Purchase Agreement have been satisfied or waived at the expiration of six (6) months other than the receipt of any required regulatory approvals) following the Closing of the transactions contemplated by the Initial Purchase Agreement (the "Second Purchase Period"), the Partnership has agreed to purchase from the Selling Stockholders all remaining shares of Common Stock then owned by the Selling Stockholders (together with the Initial Purchased Common Stock, the "Purchased Common Stock"); and

WHEREAS, the transactions contemplated by the Initial Purchase Agreement and the Remaining Shares Purchase Agreement shall be conditioned upon the terms and subject to the conditions set forth in each such agreement (collectively, the "Purchases"); and

WHEREAS, at the Effective Time, each Stockholder holds the number of shares of Voting Common Stock and Non-Voting Common Stock described in Annex B with respect to such Stockholder; and

WHEREAS, upon the acquisition of any shares of Non-Voting Common Stock by the Partnership, such shares of Non-Voting Common Stock shall immediately convert to shares of Voting Common Stock, pursuant to the provisions of the amended and restated Certificate of Incorporation of the Company (as in effect from time to time, the "Charter"); and

WHEREAS, following the Closing of the transactions contemplated by the Remaining Shares Purchase Agreement, all references to Non-Voting Common Stock shall be deemed to be read out of this Agreement; and

WHEREAS, the Company has established an employee stock purchase and award plan (the "Stock Plan") pursuant to which the Board of the Company may sell and award shares of Company Common Stock to employees or directors of the Company upon the terms set forth therein; and

WHEREAS, the Stockholders desire to amend, restate and replace in its entirety the Prior Agreement and establish in this Agreement certain terms and conditions concerning the securities of the Company and the Stockholders' relationship with and investment in the Company and its Subsidiaries following the execution of this Agreement; and

WHEREAS, this Agreement shall become effective as of the Effective Time; and

WHEREAS, the effectiveness of this Agreement is a condition to the obligation of the parties to the Purchase Agreements to consummate the Purchases and the parties to the Subscription Agreement to complete the Subscription.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS; INTERPRETATION

Section 1.1 Certain Definitions. Each of the terms set forth in Annex C hereto is defined in the Section of this Agreement set forth opposite such term.

Section 1.2 Interpretation. Unless the context clearly requires otherwise, the words "hereof," "herein," and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

(a) The terms defined in the singular shall have a comparable meaning when used in the plural, and vice versa. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.

(b) References herein to a specific Article, Section, Schedule, Annex or Exhibit shall refer, respectively, to Articles, Sections, Schedules, Annexes or Exhibits of this Agreement, unless the express context otherwise requires.

(c) Wherever the word "include," "includes," or "including" is used in this Agreement, it shall be deemed to be followed by the words "without limitation," unless clearly indicated otherwise.

ARTICLE II

GENERAL

Section 2.1 Conflict with Charter or Bylaws of the Company. In the event of a conflict between this Agreement and the Charter or the amended and restated Bylaws of the Company (as amended from time to time, the "Bylaws"), the Stockholders agree to promptly take, and to cause the Board of Directors of the Company (the "Board") to promptly take, all action within their respective power to amend the Charter and Bylaws, as the case may be, to the extent necessary to make the same consistent with the terms of this Agreement. The Charter, to be filed by the Company with the Delaware Secretary of State on or promptly following the date of this Agreement, is attached to this Agreement as Annex D. The Bylaws, to be adopted by the Company on or promptly following the date of this Agreement, are attached to this Agreement as Annex E.

Section 2.2 Further Assurances. Each Stockholder and the Company agrees to execute, acknowledge, deliver, file and record such further certificates, amendments, instruments and documents, and to do and cause to be done all such other acts and things, as may be required by Law or as may be reasonably necessary or advisable (and are within its reasonable control) to carry out the intent and purpose of this Agreement. "Law" means any law, statute, ordinance, rule, regulation, code, judgment, decree, order or governmental authorization enacted, issued, promulgated, enforced or entered into by a governmental entity.

Section 2.3 Major Stockholders; Controlled Affiliates. (a) "Major Stockholder" means (i) any Stockholder (together with its Controlled Affiliates) that owns ten percent (10%) or more of the Voting Common Stock at any time, (ii) Stephen L. Way ("Way"), and (iii) the owners of the Non-Voting Common Stock as of the date hereof. Except for Way, an individual, corporation, partnership, association, limited liability company, government entity, trust or other entity or organization (a "Person") shall cease to be a Major Stockholder when it (together with its Controlled Affiliates) ceases to own at least ten percent (10%) of the Voting Common Stock or in the case of the Non-Voting Common Stock until the Non-Voting Common Stock held by such holder shall be equal to less than five percent (5%) of the Fully-Diluted Common Stock. Way shall cease to be a Major Stockholder at the time Way ceases to be Chief Executive Officer of the Company.

(b) With respect to any Stockholder, "Controlled Affiliate" means any entity beneficially owning all of the voting interests of such Stockholder and any direct or indirect wholly-owned Subsidiary of such entity, provided that (i) AlpInvest Partners CS Investments 2006 C.V. and AlpInvest Partners Later State Co-Investments Custodian IIA B.V. (collectively, "AlpInvest") shall be deemed to be Controlled Affiliates of each other for so long as each continues to be controlled, directly or indirectly, by Stichting Pensioenfonds ABP and Stichting Pensioenfonds Zorg en Welzijn (f/k/a Stichting Pensioenfonds voor de Gezondheid, Geestelijke en Maatschappelijke Belangen), (ii) the Company shall not be deemed to be a Subsidiary of the Partnership for purposes hereof, and (iii) Lightyear Fund II L.P. and Lightyear Co-Invest Partnership II, L.P. shall be deemed to be Controlled Affiliates of each other. For purposes of the foregoing definition, "controlled by" means, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such Person, whether through the ownership of voting securities or by contract or otherwise. "Subsidiary" means, as to any Person, any other Person more than fifty percent (50%) of the outstanding voting equity of which is owned, directly or indirectly, by the initial Person or by one or more other Subsidiaries of the initial Person. For the purpose of this definition, "voting equity" means equity that ordinarily has voting power for the election of directors or Persons performing similar functions, whether at all times or only so long as no senior class of equity has such voting power by reason of any contingency.

ARTICLE III

GOVERNANCE PROVISIONS

Section 3.1 Number of Directors. The Company shall be governed by the Board, which shall consist following the Effective Time of ten (10) members (each member of the Board, a "Director") until the Closing of the transactions contemplated by the Remaining Shares Purchase Agreement, at which time the Company shall cause the Board to decrease to eight (8) members. In the event the Remaining Shares Purchase Agreement is terminated in accordance with its terms, the Company shall cause the Board to decrease to nine (9) members. Other than as provided in this Section 3.1, the number of Directors may be changed only by the unanimous vote of the entire Board.

Section 3.2 Directors. (a) Until the Closing of the transactions contemplated by the Remaining Shares Purchase Agreement, each of the Stockholders shall vote any and all of its Shares that are then entitled to vote in favor of the election of each of the following individuals as members of the Board:

(i) Six (6) Directors designated by the Partnership (the "Partnership Designees"), which shall be decreased to five (5) in the event the Remaining Shares Purchase Agreement is terminated in accordance with its terms;

(ii) Two (2) Directors designated by Lightyear (the "Lightyear Designees");

(iii) Way (Chairman); and

(iv) One (1) Director (the "Existing Stockholder Designee") designated by the affirmative vote of a majority of the Voting Common Stock held by the Stockholder group consisting of all other Stockholders other than Way, Lightyear, the Partnership and any Selling Stockholders (the "Existing Stockholder Group"). The initial Existing Stockholder Designee shall be Robert Creager.

(b) Upon the Closing of the transactions contemplated by the Remaining Shares Purchase Agreement, subject to the right of Way to serve as Director and Chairman as set forth above, which shall continue, the Directors shall thereafter be elected by the affirmative vote of a majority of the Voting Common Stock held by the Stockholders.

(c) Until the Closing of the transactions contemplated by the Remaining Shares Purchase Agreement, either Lightyear or the Partnership may assign its right to designate Directors pursuant to this Section 3.2 and any other rights under this Agreement (including without limitation Article III) to any Person who acquires at least fifty percent (50%) of the Shares held by such Stockholder in (i) a Permitted Transfer and/or (ii) a Transfer made in accordance with Section 4.1(b), Section 4.2, Section 4.4 and/or Section 4.5; *provided*, that no such assignment shall result in the creation of additional rights.

Section 3.3 Removal of Directors.

(a) The Existing Stockholder Designee shall at all times be subject to the removal by the affirmative vote of a majority of the Voting Common Stock held by the Stockholders.

(b) Until the Closing of the transactions contemplated by the Remaining Shares Purchase Agreement, no Stockholder will vote in favor of the removal of a Director unless (x) each Stockholder or group of Stockholders, as applicable, who previously designated such Person to the Board pursuant to Section 3.2(a) votes in favor of such removal, or (y) the removal contemplated would be for cause.

(c) Until the Closing of the transactions contemplated by the Remaining Shares Purchase Agreement, (i) if at any time Lightyear or the Partnership notifies the other Stockholders in writing of its desire to remove, for any reason, any Director of the Company previously designated by it pursuant to Section 3.2(a), each other Stockholder shall vote by written consent delivered promptly after such notification any and all of its Shares that are then entitled to vote so as to remove such Director, and (ii) in the event Lightyear or the Partnership requests at any time such removal, either Lightyear or the Partnership, as applicable, shall indemnify and hold harmless each other Stockholder and its directors, officers, partners, stockholders, agents and employees against any losses, claims, damages, liabilities and expenses incurred as a result of any such removal.

(d) In the event of any removal of a Director, the Stockholder or group of Stockholders, as applicable, who previously designated such Person to the Board pursuant to Section 3.2(a) shall promptly name a replacement Director to join the Board, and the other Stockholders agree to vote in favor of such designated replacement Director.

Section 3.4 Meetings. Each Stockholder agrees to use its best efforts (without being required to compel another Stockholder to take action) to cause regular meetings of the Board to be held in accordance with the Charter and Bylaws, *provided, however*, that so long as any Lightyear Designee serves on the Board, the Company shall use its commercially reasonable efforts to cause all in-person meetings of the Board to be held in New York, New York.

Section 3.5 Director Votes Required for Action. (a) Except as otherwise set forth in this Section 3.5, the Company agrees that it will not take any action requiring an approval of the Board hereunder or under applicable Law unless such action is approved by a vote or consent of the majority of the entire Board (a "Majority Board Vote"):

Without limiting the generality of Section 3.5(a), the Company shall not, nor shall the Company cause or permit any of its Subsidiaries to, without Majority Board Vote:

(i) purchase, lease, exchange or otherwise acquire any assets (including any capital stock of any Person) in one or a series of related transactions with an aggregate purchase price in excess of $15,000,000; *provided that* the Company shall obtain the approval of the Executive Committee of the Board prior to entering into any such, or any agreement contemplating such, transaction or series of related transactions with an aggregate purchase price less than or equal to $15,000,000;

(ii) sell, lease, exchange, transfer or otherwise dispose of, or create any Encumbrances on, assets in one or a series of related transactions with a fair market value in excess of $15,000,000; *provided that* the Company shall obtain the approval of the Executive Committee of the Board prior to entering into any such, or any agreement contemplating such, transaction or series of related transactions with a fair market value less than or equal to $15,000,000. "Encumbrance" means any charge, claim, community property interest, condition, conditional sale or other title retention agreement, covenant, easement, encumbrance, equitable interest, exception, lien, mortgage, option, pledge, reservation, right of first refusal, right of first offer, use restriction, right of way, security interest, servitude, statutory lien, variance, warrant, or restrictions of any kind, including any restrictions on use, voting, transfer, receipt of income, or exercise of any other attribute of ownership;

(iii) incur or guarantee any indebtedness for borrowed money or issue any debt securities of the Company in excess of $15,000,000; *provided,* that the Company shall obtain the approval of the Executive Committee of the Board prior to entering into any such, or any agreement contemplating such a transaction or series of related transactions with an aggregate value less than or equal to $15,000,000;

(iv) issue any capital stock of the Company ("Shares") or other equity securities or securities convertible into, exercisable or exchangeable for equity securities of the Company with an aggregate purchase price or fair market value greater than or equal to $15,000,000; *provided,* that the Company shall obtain the approval of the Executive Committee of the Board prior to entering into any such, or any agreement contemplating such a transaction or series of related transactions with an aggregate fair market value less than or equal to $15,000,000

(v) in one or a series of related transactions with a fair market value in excess of $15,000,000 (A) merge or consolidate with another Person; (B) sell, lease, exchange, transfer or otherwise dispose of all or substantially all of its assets; (C) purchase, lease, exchange or otherwise acquire all or substantially all of the assets of another Person; (D) enter into any other business combination transaction; or (E) enter into any agreement contemplating such actions; *provided that* the Company shall obtain the approval of the Executive Committee of the Board prior to entering into any such purchase, lease or acquisition with a fair market value less than or equal to $15,000,000; in each case above, other than transactions between the Company and its wholly owned Subsidiaries or among the wholly owned Subsidiaries of the Company;

(vi) voluntarily initiate any bankruptcy, dissolution, liquidation or winding up or any analogous proceeding in any jurisdiction with respect to the Company or any of its Subsidiaries;

(vii) enter into or amend any joint venture or partnership with any other Person if the value of such joint venture or partnership exceeds $15,000,000 (inclusive of all Shares, debt or other securities contributed thereto); *provided that* the Company shall obtain the approval of the Executive Committee of the Board prior to entering into or amending any joint venture or partnership with a value less than or equal to $15,000,000;

(viii) approve the removal of a Director for cause;

(ix) establish committees of the Board; it being understood that this clause (ix) shall not apply to Subsidiaries of the Company;

(x) enter into, amend or modify any contract with any Affiliate of the Company (except (A) contracts solely among wholly-owned Subsidiaries of the Company or the Company and one or more wholly-owned Subsidiaries of the Company (B) reinsurance contracts entered between the Company or its Subsidiaries and any such Affiliate in the ordinary course of business and on a negotiated, arm's length basis), and in respect of such a matter a Majority Board Vote shall include, until the Closing of the transactions contemplated by the Remaining Shares Purchase Agreement, at least one Lightyear Designee; or

(xi) consummate any public offering of Common Stock (other than a public offering pursuant to the exercise of a Demand Request pursuant to Sections 6.1 or 6.2).

(b) Notwithstanding anything to the contrary in this Section 3.5, the Company shall not, nor shall the Company cause or permit any of its Subsidiaries to, without the approval of at least sixty-six and two-thirds percent (66 2/3%) of the entire Board, including until the Closing of the transactions contemplated by the Remaining Shares Purchase Agreement, at least one Lightyear Designee:

(i) amend or modify the Charter or Bylaws, or, in the case of the Company's Subsidiaries, their respective articles of incorporation, bylaws or equivalent documents; or

(ii) declare or pay any dividends or distributions on Shares or repurchase or redeem any Shares or other securities of the Company or its Subsidiaries (other than wholly-owned Subsidiaries) on a non-pro rata basis; *provided that* the foregoing shall not require Board approval for any dividend or distribution in the ordinary course of business made by a direct or indirect wholly-owned Subsidiary of the Company to the Company or any other wholly-owned Subsidiary of the Company.

(c) Committees of the Board. The Board may designate one or more committees, in addition to those set forth in this Section 3.5(c), each of which shall consist of one or more of the Directors; provided that until the Closing of the transactions contemplated by the Remaining Shares Purchase Agreement, a Lightyear Designee shall have the right to be a member of any such committee. Such committee or committees shall have such name or names as the Board may from time to time determine. No committee member may continue to serve on such committee beyond the time at which he ceases to be a Director. Directors will be designated to serve on the following committees in the manner specified below:

(i) *Executive Committee*. The Executive Committee shall at all times consist of three (3) Directors, two (2) of whom shall at all times be Partnership Designees (who shall initially be Cameron MacDonald and Rob Kittel) and one (1) of whom shall at all times be Way (until he is no longer a Director); provided that until the Closing of the transactions contemplated by the Remaining Shares Purchase Agreement, the Executive Committee shall in addition consist of an additional Director who shall be a Lightyear Designee.

(ii) *Compensation Committee*. The Compensation Committee shall at all times consist of three (3) Directors, two (2) of whom shall at all times be Partnership Designees (who shall initially be Cameron MacDonald and Rob Kittel) and one (1) of whom shall at all times be Way (until he is no longer a Director); provided that until the Closing of the transactions contemplated by the Remaining Shares Purchase Agreement, the Compensation Committee shall in addition consist of an additional Director who shall be a Lightyear Designee.

(iii) *Audit Committee*. The Audit Committee shall at all times consist of three (3) Directors, two (2) of whom shall at all times be Partnership Designees (who shall initially be Bill Andrus and Rob Kittel) and one (1) of whom shall at all times be designated by Way (who shall initially be Robert Creager (Chairman)); provided that until the Closing of the transactions contemplated by the Remaining Shares Purchase Agreement, the Audit Committee shall in addition consist of an additional Director who shall be a Lightyear Designee.

Section 3.6 Governance of the Company's Subsidiaries. None of the Company's Subsidiaries may take any action that cannot be taken by the Company, unless such action, or the delegation of the authority to determine whether to take such action, is approved by the Board or by one or more stockholders of such Subsidiary, as applicable, in the same manner as required if the Company were to take such action.

Section 3.7 Directors' and Officers' Liability Insurance. The Company shall maintain directors' and officers' liability insurance at commercially reasonable levels with reputable, creditworthy insurers.

ARTICLE IV

CERTAIN RESTRICTIONS ON TRANSFERS OF SHARES

Section 4.1 Permitted Transfers.

(a) Subject to the terms hereof, a Stockholder may at any time transfer, sell, assign, pledge, hypothecate, encumber or otherwise dispose of its Shares ("Transfer") (i) to any Person (all Persons acquiring Shares from a Stockholder, and all subsequent transferees of any such Person, being sometimes referred to collectively as "Transferees" and individually as a "Transferee") in transactions registered under the Securities Act of 1933, as amended (the "Securities Act") following, or in connection with, an IPO; (ii) to any Controlled Affiliate; (iii) to the extent permitted or required by Section 4.1(b), Section 4.2, Section 4.4 or Section 4.5, including any sale that will permit the drag-along or tag-along rights set forth therein to be exercised; (iv) to any Person if such Transfer is approved by unanimous approval of the Board prior to making such Transfer; (v) to any member of such Stockholder's immediate family (which shall mean any parent, grandparent, great-grandparent, child, grandchild or great-grandchild of such Stockholder and shall include adoptive relationships) or to a trust or other estate planning vehicle for the primary benefit of said Stockholder or family member, or if said family member is a minor, to any person as custodian for such minor, *provided that* no such Transfer under this clause (v) may be effected unless such Stockholder has notified, and disclosed the details of, such proposed Transfer to the Board and the Board has approved such proposed Transfer (such approval not to be unreasonably withheld or delayed); or (vi) to any limited partner of the Partnership pursuant to, and in accordance with, the terms of the Limited Partnership agreement governing the Partnership (any Transfer under (i), (ii), (iii), (iv), (v), or (vi) above, a "Permitted Transfer"); *provided*, *however*, in each case, that such Permitted Transfer shall comply with Section 4.7 and Section 4.8.

(b) Notwithstanding anything to the contrary set forth in the foregoing Section 4.1(a), prior to the consummation of the transactions contemplated by the Remaining Shares Purchase Agreement and until the Remaining Shares Purchase Agreement is terminated in accordance with its terms, the Selling Stockholders may not make any Transfer to any Person. In the event the Remaining Shares Purchase Agreement is terminated in accordance with its terms, the Selling Stockholders may thereafter make a Transfer to any Person of any shares of Common Stock that any such Selling Stockholder still owns without being subject to the provisions of this Article IV, other than the provisions of Sections 4.2 (provided that, (i) notwithstanding the terms of Section 4.2, only the Partnership, and not any other Major Stockholder, shall be entitled to the right of first offer, and such right shall apply in respect of all of the shares proposed to be sold, pursuant to Section 4.2 with respect to such Transfer) and (ii) if the Selling Stockholder has not provided a Sale Offer to the Partnership in accordance with Section 4.2, such Selling Stockholder will remain subject to Section 4.5), and 4.7.

Section 4.2 Right of First Offer. (a) Except in a Transfer permitted or required by (1) Section 4.1 (other than a Transfer permitted or required by Section 4.1(a)(iii)), (2) Section 4.4 and (3) with respect to the Tag-Along Holders, Section 4.5, a Stockholder may only Transfer Shares to a Person if it shall have presented to each of the Major Stockholders (or only the Partnership, in the case of a Transfer made pursuant to Section 4.1(b)) a written offer (a "Sale Offer") to sell to each such Major Stockholder (or the Partnership, in the case of a Transfer made pursuant to Section 4.1(b)) its pro rata share (based on its share of Common Stock on a fully-diluted ("Fully-Diluted") basis) of such Shares (the "Offered Stock"). Each Sale Offer shall include a description of the material terms of such sale, including the terms on which the Offered Stock would be sold, the quantity of Offered Stock and the proposed closing date. Each Sale Offer shall be identical in all respects to each other Sale Offer, except with respect to the quantity of Offered Stock. The price allocable on a per share basis to Voting Common Stock and Non-Voting Common Stock with respect to any Transfer shall be the same.

(b) Each Major Stockholder (or the Partnership, in the case of a Transfer made pursuant to Section 4.1(b)) shall have thirty (30) days from and after receiving a Sale Offer to accept such Sale Offer (including, without limitation, agreeing to purchase all of the Offered Stock offered to it thereunder). If all of the Major Stockholders accept their respective Sale Offers, the selling Stockholder shall sell the Offered Stock to the Major Stockholder(s) on the terms set forth in the corresponding Sale Offer. If any Major Stockholder does not accept its Sale Offer for the entire amount of its Offered Stock (the aggregate amount of such remaining Offered Stock, the "Remaining Offered Stock"), the selling Stockholder shall deliver written notice (specifying the number of shares of Remaining Offered Stock) to the other Major Stockholders who have elected to accept their Sale Offer, and each such Major Stockholder shall have five (5) business days therefrom to elect to increase the quantity of Offered Stock purchased by them to include all, but not less than all, of the Remaining Offered Stock, and if more than one such Major Stockholder so elects, such Remaining Offered Stock shall be divided among such electing Major Stockholders pro rata among such electing Major Stockholders.

(c) If the Major Stockholders do not agree to acquire all of the Shares proposed to be transferred, then the selling Stockholder may complete the Transfer of all of the Offered Stock to a third party within six (6) months after the date the Sale Offer was first provided on terms no less favorable to the selling Stockholder than the terms set forth in the Sale Offer (including at no less favorable a price), subject to receiving the consent of the Company solely as to the identity of the proposed transferee (such consent not to be unreasonably withheld, conditioned or delayed).

(d) The failure of any Major Stockholder to accept a Sale Offer will not result in a loss of, or be deemed a waiver of, any of such Major Stockholder's rights under Section 4.5 in connection with the sale of any particular Shares.

Section 4.3 Post-IPO Lock-Up. (a) Following an initial public offering of Common Stock (an "IPO"), but only to the extent and for the duration that the managing underwriter of such IPO requires it, no Major Stockholder shall Transfer any Shares to a third party that is not an Affiliate of such Major Stockholder (a "Third Party Purchaser") in a Rule 144 or Regulation S sale transaction; *provided that*, if such Major Stockholder registers any of its Shares in such IPO, the restriction on Transfers set forth in this Section 4.3 shall only apply if there is, and for the duration of, any restriction on Transfers agreed by such Major Stockholder in connection with such registration.

(b) "Affiliate" means, with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with, such other Person as of the date on which, or at any time during the period for which, the determination of affiliation is being made. For purposes of the foregoing definition, the term "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such Person, whether through the ownership of voting securities or by contract or otherwise. No Stockholder shall be deemed to be an Affiliate of another Stockholder solely as a result of being a Stockholder of the Company.

Section 4.4 Drag Along Rights. (a) If the Partnership and/or other Stockholders, if any, determine collectively to Transfer fifty percent (50%) or more of the shares of Common Stock (on a Fully-Diluted basis) outstanding in the aggregate to a Third Party Purchaser (such transaction, a "Drag-Along Sale"), then the Partnership may, at its option, at least thirty (30) days prior to consummating such Drag-Along Sale, give written notice (a "Drag-Along Notice") to the other non-selling Stockholders stating that the Partnership is exercising its rights under this Section 4.4 to cause each such Stockholder to Transfer its Shares (as determined in accordance with this Section 4.4(a)) in such Drag-Along Sale and describing the material terms of such Drag-Along Sale, including the identity of the Third Party Purchaser, the terms on which Shares are to be Transferred, the Sale Percentage and the proposed closing date. "Sale Percentage" means a fraction, the numerator of which is the number of shares of Common Stock (on a Fully-Diluted basis) in the aggregate that the applicable Stockholders have determined to Transfer in a Drag-Along Sale or Tag-Along Sale, as the case may be, and the denominator of which is the total number of shares of Common Stock (on a Fully-Diluted basis) then owned by such Stockholders, without duplication.

(b) Upon receiving a Drag-Along Notice, each other non-selling Stockholder shall, in accordance with such Drag-Along Notice, Transfer to the Third Party Purchaser named in the Drag-Along Notice, on the same terms as (subject to this Section 4.4(b), Section 4.4(e) and Section 4.4(f)) and simultaneously with, the Drag-Along Sale, a number of shares of Common Stock equal to the number of shares of Common Stock (on a Fully-Diluted basis) then owned by it multiplied by the Sale Percentage.

(c) Notwithstanding anything in this Agreement to the contrary, no Transfer by a Stockholder shall be permitted from the time that a Drag-Along Notice is given until the earlier of (i) the consummation of such Drag-Along Sale (other than any Transfer by a Stockholder in such Drag-Along Sale) and (ii) sixty (60) days after the Partnership delivers the Drag-Along Notice.

(d) A Stockholder shall Transfer all of its Voting Common Stock prior to Transferring any Non-Voting Common Stock under this Section 4.4 and under Section 4.5.

(e) In connection with any Drag-Along Sale, no Stockholder shall be required to agree to any indemnification provision that would result in such Stockholder having to indemnify a Person for an amount in excess of the proceeds received by such Stockholder in such Drag-Along Sale (except to the extent such indemnification relates to such Stockholder's authority to sell, the enforceability of such Stockholder's agreement to sell or such Stockholder's ownership of the Shares being sold).

(f) Each Stockholder agrees, in connection with any Drag-Along Sale, to reasonably cooperate with the Partnership and any other selling Stockholders as they may reasonably request to consummate such Drag-Along Sale.

Section 4.5 Tag Along Rights. (a) Prior to the occurrence of the first underwritten public offering of Common Stock following which aggregate proceeds of not less than $30 million have been received in respect of such offering and any prior underwritten public offerings (a "Qualified IPO"), any Major Stockholder and/or any of its Controlled Affiliates may Transfer its Shares to a Third Party Purchaser (such transaction, a "Tag-Along Sale"), provided that such Major Stockholder and/or its Controlled Affiliates, as the case may be, give written notice (a "Tag-Along Notice"), at least twenty (20) days prior to consummating such Tag-Along Sale, to the other Major Stockholders (the "Tag-Along Holders") stating that such Major Stockholder and/or its Controlled Affiliates, as applicable, desire to Transfer their Shares and describing the material terms of such Tag-Along Sale, including the identity of the Third Party Purchaser, the terms on which Shares are to be Transferred, the Sale Percentage and the proposed closing date. At least three (3) days prior to the proposed closing date identified in the Tag-Along Notice, each Tag-Along Holder may, at its option, notify the selling Major Stockholder and/or its Controlled Affiliates that it desires to Transfer, on the same terms as and simultaneously with the Tag-Along Sale, a number of Shares equal to the number of shares of Common Stock (on a Fully-Diluted basis) then owned by such Tag-Along Holder and/or its Controlled Affiliates multiplied by the applicable Sale Percentage (the "Tag-Along Shares," and, together with the Shares to be Transferred by such selling Major Stockholder and/or its Controlled Affiliates, the "Total Tag-Along Shares"), and such Tag-Along Holder shall be permitted to Transfer such Tag-Along Shares in accordance with this Section 4.5; *provided*, *however*, that if a Third Party Purchaser desires to purchase fewer Shares than the Total Tag-Along Shares, then the number of Shares to be sold by the Major Stockholders and/or their Controlled Affiliates participating in such Tag-Along Sale (including, for this purpose, the selling Major Stockholder and its Controlled Affiliates) to such Third Party Purchaser shall be reduced, and each Major Stockholder participating in such Tag-Along Sale under this Section 4.5(a) (including, for this purpose, the selling Major Stockholder and its Controlled Affiliates) shall be entitled to Transfer to such Third Party Purchaser an amount of Shares equal to (x) such Major Stockholder's Tag-Along Shares (or, in the case of the selling Major Stockholder and its Controlled Affiliates, the Shares originally proposed to be sold in the Tag-Along Sale), multiplied by a fraction, the numerator of which is (y) the total number of Shares the Third Party Purchaser desires to purchase in the Tag-Along Sale, and the denominator of which is (z) the total number of Total Tag-Along Shares.

(b) Each Tag-Along Holder agrees, in connection with any Tag-Along Sale in which such Tag-Along Holder is participating pursuant to Section 4.5(a), to reasonably cooperate with the selling Major Stockholder and/or its Controlled Affiliates as such selling Major Stockholder and/or its Controlled Affiliates may reasonably request to consummate such Tag-Along Sale.

(c) This Section 4.5 shall not apply to any Transfer made pursuant to Section 4.1(b).

Section 4.6 Effect of Impermissible Transfer. Any Transfer of Shares by a Person not in compliance with this Agreement shall be null and void *ab initio*.

Section 4.7 Agreement to Be Bound. No Transfer of Shares shall be effective (and the Company shall not transfer on its books any such Shares), including any Transfer to an Affiliate of a Stockholder or to another Stockholder, unless (i) the certificates representing such Shares issued to the Transferee bear the legend, to the extent applicable, provided in Section 4.8 and (ii) the Transferee has executed and delivered to the Company, as a condition precedent to such Transfer, an instrument or instruments in form and substance reasonably satisfactory to the Company confirming that the Transferee agrees to be bound by the terms of this Agreement as a Stockholder.

Section 4.8 Legend. All Shares issued to Stockholders after the date hereof shall bear a legend substantially in the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THESE SECURITIES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR ANY EXEMPTION THEREFROM UNDER SAID ACT AND ANY SUCH LAWS APPLICABLE THERETO AND THE RULES AND REGULATIONS THEREUNDER."

"IN ADDITION, THE VOTING AND TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS RESTRICTED BY, AND THE RIGHTS OF A HOLDER OF SUCH CERTIFICATE ARE SUBJECT TO, THE TERMS AND CONDITIONS CONTAINED IN A AMENDED AND RESTATED STOCKHOLDERS' AGREEMENT, DATED AS OF, MARCH 12, 2014, AS THE SAME MAY BE AMENDED FROM TIME TO TIME. THE COMPANY WILL NOT TRANSFER ON ITS BOOKS ANY CERTIFICATES REPRESENTING SUCH SECURITIES NOR ISSUE ANY CERTIFICATES IN LIEU THEREOF UNLESS ALL THE CONDITIONS FOR TRANSFER CONTAINED IN SUCH STOCKHOLDERS' AGREEMENT HAVE BEEN COMPLIED WITH, AND A PURPORTED TRANSFER NOT IN ACCORDANCE WITH THE TERMS THEREOF SHALL BE NULL, VOID AND OF NO EFFECT."

The legend set forth immediately above shall be removed from the certificates with respect to any Shares when this Agreement no longer applies to such Shares as provided herein.

Section 4.9 Subsequent Acquisitions. The provisions of this Article IV shall apply to any acquisition of Shares by a Stockholder after the date of this Agreement.

ARTICLE V

PREEMPTIVE RIGHTS

Section 5.1 Preemptive Rights. (a) Prior to a Qualified IPO, each Major Stockholder shall, subject to the terms of this Section 5.1, have the right to purchase, at its sole discretion, from the Company additional Shares (including debt or equity securities convertible into such Shares of the Company) or capital stock of any of the Company's Subsidiaries (including debt or equity securities convertible into capital stock of such Subsidiary) in the amounts and at the times and prices provided for in this Section 5.1, which option shall be exercisable from time to time upon each issuance by the Company (or any of its Subsidiaries) of such Shares or other capital stock. Except as otherwise provided in this Section 5.1, upon each issuance of Shares or other capital stock by the Company or any of its Subsidiaries, each Major Stockholder shall have the right to purchase from the Company or the Company's Subsidiary, as the case may be, such Major Stockholder's Proportionate Equity Interest in such issuance. "Proportionate Equity Interest" means:

(i) *Company Shares/Existing Class*: in the case of the issuance of Shares of a class of preferred stock of the Company or Common Stock with respect to which shares are issued and outstanding prior to such issuance, a fraction, (x) in the case of an issuance of preferred stock of the Company, the numerator of which is the total number of shares of such preferred stock owned by such Major Stockholder and the denominator of which is the total number of shares of preferred stock of the Company issued and outstanding, and (y) in the case of an issuance of Common Stock, the numerator of which is the total number of shares of Common Stock owned by such Major Stockholder and the denominator of which is the total number of shares of Common Stock issued and outstanding (in each case, assuming the conversion of all Non-Voting Common Stock and any preferred stock of the Company into Voting Common Stock);

(ii) *Company Shares/New Class*: in the case of the issuance of a new class of Shares, a fraction, the numerator of which is the total number of shares of Common Stock owned by such Major Stockholder and the denominator of which is the total number of shares of Common Stock issued and outstanding;

(iii) *Subsidiary Capital Stock/Any Class*: in the case of the issuance of any capital stock of a Subsidiary of the Company (including debt or equity securities convertible into capital stock of such Subsidiary) to any Person other than the Company or any wholly owned Subsidiary of the Company, the sum of (A) the percentage (expressed as a fraction) that is such Major Stockholder's indirect equity interest in the Subsidiary, expressed as the result of multiplying such Major Stockholder's Proportionate Equity Interest in the Company by the Company's percentage voting interest in the Subsidiary, plus (B) the percentage (expressed as a fraction) that is such Major Stockholder's direct voting interest in the Subsidiary; and

(iv) *Other*: with respect to any issuance not addressed by the foregoing clauses (i) through (iii), the formulae set forth in such clauses shall be equitably adjusted to achieve a result that is substantially consistent with such clauses.

(b) In the event the Company issues Voting Common Stock, each Major Stockholder may elect, within ten (10) business days after receiving notice from the Company of such issuance, to receive, and upon such election shall receive, Non-Voting Common Stock in lieu of Voting Common Stock.

(c) In the event a Major Stockholder elects to exercise its rights under this Section 5.1, the purchase price per share of capital stock being issued shall be equal to the sale price per share of capital stock being sold.

(d) The Company shall give each Major Stockholder ten (10) business days' prior written notice of the Company's (or its Subsidiary's) intention to issue Shares or other capital stock. Such notice from the Company shall set forth the price and a description of the material terms of the security being issued (or, in lieu thereof, the constituent documents defining the rights of the holder of the securities). If a Major Stockholder desires to exercise its right under this Section 5.1 to purchase Shares from the Company, such Major Stockholder shall give written notice to the Company of its intent to exercise its right at least three (3) business days prior to the proposed date of issuance identified in such notice from the Company. The Company or its Subsidiary, as the case may be, shall issue the required number of Shares or shares of capital stock, as the case may be, against delivery of the purchase price therefor under this Section 5.1 on the same date as the other purchasers purchase Shares or other capital stock. Each Major Stockholder shall have the right to exercise the right provided for under this Section 5.1 in whole or in part as to each transaction giving rise to the right. In the event that the transaction set forth in the Company's notice shall not be consummated within ninety (90) days after the date of the Company's original notice under this Section 5.1 (and provided that any such consummation involving third parties shall be on terms no less favorable to the Company than the terms set forth in the Company's notice (including at no less favorable a price)), the Company shall be required to give a new notice of such transaction, and any Major Stockholder's original notice of its intent to exercise any right under this or failure to give notice shall be of no further force or effect.

Section 5.2 Exceptions. The provisions of Section 5.1 shall not apply to the issuance of Shares or other capital stock (i) pursuant to an incentive compensation plan or employment agreement or arrangement of the Company or any of its Subsidiaries, (ii) as consideration in connection with the acquisitions of businesses or assets; (iii) pursuant to the exercise of a convertible security or instrument; (iv) to any pro-rata (by class) stock dividend; (v) in connection with any recapitalization or reclassification transaction in which the Company is issuing the subject securities in replacement of securities and is not being paid in respect thereof; or (vi) with respect to preferred stock of the Company, the implementation of anti-dilution adjustments in favor of the preferred stock pursuant to the Charter.

ARTICLE VI

REGISTRATION RIGHTS

Section 6.1 Demand Registration. (a) At any time to effect an IPO or at any time after an IPO, any Major Stockholder other than Lightyear or any Selling Stockholder and, at any time after an IPO or at any time following the fourth anniversary of the expiration of the Second Purchase Period to effect an IPO, a Selling Stockholder (such Major Stockholder or Selling Stockholder, an "Eligible Demanding Stockholder"), may make four (4) requests that the Company file a registration statement under the Securities Act (including a "shelf" registration statement pursuant to Rule 415 under the Securities Act (a "Shelf Registration")) of all or a portion of such Stockholder's shares of Voting Common Stock (any such request, a "Demand Request"); provided that the aggregate estimated fair market value of such Shares (as determined by the Board acting in good faith) is at least $7,000,000, which such limitation shall not apply to a Selling Stockholder; *provided, further*, that no Demand Request with respect to effecting an IPO may be made by an Eligible Demanding Stockholder (other than a Selling Stockholder, with respect to which, for the avoidance of doubt, no Board approval shall be required) unless the Board has approved the IPO and such Stockholder's Demand Request. Any Demand Request shall be made by delivering to the Company written notice stating that the Demand Request is being exercised, specifying the number of shares of Voting Common Stock to be included in such registration statement (the shares subject to such request, the "Demand Shares") and describing the intended method of distribution thereof, which may include an underwritten offering. Upon receiving a Demand Request, the Company shall give prompt written notice of such requested registration to all other Stockholders holding two percent (2%) or more of the Fully-Diluted shares at such time and, subject to the terms of Section 6.1(c) hereof, shall include in such registration (and in all related registrations and qualifications under state blue sky laws or in compliance with other registration requirements and in any related underwriting) all shares of Voting Common Stock with respect to which the Company has received written requests for inclusion therein within fifteen (15) days after the receipt of the Company's notice (such additional shares, also "Demand Shares"). In accordance with Section 6.3, the Company shall (i) file as promptly as practicable a registration statement on such form as the Company may reasonably deem appropriate (it being understood that if the Demand Request was for a Shelf Registration, then it shall provide for an offering to be made on a continuous or delayed basis pursuant to Rule 415 under the Securities Act, and if the Company is eligible for use of an "automatic shelf registration statement" as defined in Rule 405 under the Securities Act, such registration shall occur on such form) providing for the registration of the sale of such Demand Shares pursuant to the intended method of distribution (a "Demand Registration") and (ii) use its reasonable best efforts to cause such registration statement promptly to become effective under the Securities Act and cause it to remain effective until all Demand Shares have been sold. Notwithstanding the foregoing, in the event that an Eligible Demanding Stockholder makes a Demand Request (such Stockholder, a "Demanding Stockholder"), unless such Demand Request was to effect an IPO and the Board did not approve the IPO and such Demand Request, no other Eligible Demanding Stockholder shall be entitled to make a Demand Request until sixty (60) days following the earlier of the withdrawal of such request and the effectiveness, under the Securities Act, of the registration statement covering the Demand Shares; *provided,* that nothing contained in this sentence shall restrict any Stockholder from making a Piggy-Back Request.

(b) Notwithstanding anything in this Agreement to the contrary, the Company shall be entitled to postpone or delay, for reasonable periods of time, but in no event more than an aggregate of one-hundred twenty (120) days during any twelve (12) month period (a "Blackout Period"), the filing or effectiveness of any Demand Registration if the Company shall determine that any such filing or offering of shares of Voting Common Stock would be reasonably likely to (i) in the good faith judgment of the Board, impede, delay or otherwise interfere with any pending or contemplated material acquisition, divestiture, corporate reorganization or other financing or other material transaction involving the Company, (ii) in the good faith judgment of the Board, require disclosure of material nonpublic information (other than information relating to an event described in clause (i)) which, if disclosed at such time, would be harmful to the best interests of the Company and its Stockholders or (iii) would otherwise be impermissible under applicable Law. The Company shall give written notice to the Demanding Stockholder of its determination to postpone or delay the filing or effectiveness of any Demand Registration; *provided, however*, that the Demanding Stockholder may, at any time during a Blackout Period that occurs prior to the effectiveness of the Demand Registration, withdraw its Demand Request with respect to all Demand Shares covered thereby and such Demand Request will not be counted as a Demand Request.

(c) Notwithstanding Section 6.1(a), in connection with an underwritten offering, if the managing underwriter or underwriters reasonably and in good faith shall have advised the Company or the Demanding Stockholder that, in its opinion, the number of Demand Shares subject to a Demand Request exceeds the number which reasonably can be sold in such offering, the Company shall include in such registration the number of Shares that, in the opinion of such managing underwriter or underwriters, can be sold in such offering without adversely affecting the marketability of such offering, pro rata among the respective holders thereof on the basis of the amount of Demand Shares requested to be included in the registration; *provided, however*, that (i) if a Selling Stockholder is the Demanding Stockholder, then such Selling Stockholder's Shares shall have first priority to be included in the registration and offering and (ii) as a result of any reduction pursuant to this paragraph (c), the Demanding Stockholder may withdraw its Demand Request with respect to all Demand Shares covered thereby and such Demand Request will not be counted as a Demand Request, in which event the Company shall withdraw, terminate and/or take such other actions as are reasonably necessary such that any registration statement previously filed in connection with such Demand Request shall not become, or shall cease to be, effective and no sales will be made thereunder. If the Company intends to include any Shares in a Demand Registration, the Company's allocation shall first be subject to reduction before the number of Demand Shares to be registered by the Demanding Stockholders is subject to any reduction. In connection with any underwritten Demand Registration, the managing underwriter for such Demand Registration shall be selected by the holders of a majority of the Demand Shares proposed to be included in such Demand Registration, subject to approval by the Company (such approval not to be unreasonably withheld or delayed).

Section 6.2 Piggy-Back Registration. (a) If at any time, the Company proposes to register any Shares under the Securities Act (other than in connection with dividend reinvestment plans, rights offerings or a registration statement on Form S-4 or S-8 or any similar successor form) on its behalf or on behalf of any Stockholder pursuant to Section 6.1, the Company shall give each Stockholder that holds two percent (2%) or more of the Fully-Diluted Shares at such time (a "Piggy-Back Stockholder") written notice of its intent to do so not less than fifteen (15) business days prior to the contemplated filing date for such registration statement. Upon the written request of any Piggy-Back Stockholder (a "Piggy-Back Request"), given within ten (10) business days after such Piggy-Back Stockholder is deemed to have been given any such written notice (which request shall specify the number of shares of Voting Common Stock requested to be registered on behalf of such Piggy-Back Stockholder), the Company shall include in such registration statement (a "Piggy-Back Registration"), subject to the provisions of Section 6.2(b), the number of shares of Voting Common Stock set forth in such Piggy-Back Request. No registration effected pursuant to this Section 6.2 shall relieve the Company of its obligations to effect Demand Registrations pursuant to Section 6.1 hereof.

(b) In the event that the Company proposes to register shares of Voting Common Stock in connection with an underwritten offering and a nationally recognized investment banking firm selected by the Company to act as managing underwriter thereof reasonably and in good faith shall have advised the Company, or any Piggy-Back Stockholder intending to offer shares of Voting Common Stock in the offering, that, in its opinion, the inclusion in the registration statement of some or all of the shares of Voting Common Stock sought to be registered by such Piggy-Back Stockholder would adversely affect the price or success of the offering, the Company shall include in such registration statement such number of shares of Voting Common Stock as the Company is advised by such underwriter can be sold in such offering without such an effect (the "Maximum Number"), as follows and in the following order of priority: (i) first, such number of shares of Voting Common Stock as the Company intended to be registered and sold by the Company if such registration is initiated by the Company, and (ii) second, if and to the extent that the number of shares of Voting Common Stock to be registered under clause (i) is less than the Maximum Number, such number of shares of Voting Common Stock as Demanding Stockholders and any such Piggy-Back Stockholders shall have intended to register. In the event that the amount of shares of Voting Common Stock to be registered under clause (ii) exceeds the difference between the Maximum Number and the amount of shares of Voting Common Stock registered under clause (i), each Demanding Stockholder and Piggy-Back Stockholder shall be entitled to register their shares of Voting Common Stock on a pro rata basis, according to the total number of shares of Voting Common Stock requested to be registered by each such Stockholder.

(c) In connection with any underwritten Piggy-Back Registration, the managing underwriter for such Piggy-Back Registration shall be selected by the Company subject to approval by the holders of a majority of shares of Voting Common Stock included in such Piggy-Back Registration (such approval not to be unreasonably withheld or delayed).

Section 6.3 Registration Procedures. (a) In connection with each registration statement prepared pursuant to this Article VI, and in accordance with the intended method or methods of distribution of shares of Voting Common Stock as described in such registration statement, the Company shall, as soon as reasonably practicable:

(i) prepare and file with the Securities and Exchange Commission (the "SEC") a registration statement on an appropriate registration form of the SEC (it being understood that if the Demand Request was for a Shelf Registration, then it shall provide for an offering to be made on a continuous or delayed basis pursuant to Rule 415 under the Securities Act, and if the Company is eligible for use of an "automatic shelf registration statement" as defined in Rule 405 under the Securities Act, such registration shall occur on such form) and use its reasonable best efforts to cause such registration statement to become effective promptly and shall cause it to remain effective, which registration statement shall comply as to form in all material respects with the requirements of the applicable form and include all financial statements required by such form to be filed therewith; *provided*, *however*, that before filing a registration statement or prospectus or any amendments or supplements thereto, the Company shall furnish to counsel for each Stockholder selling shares of Voting Common Stock under such registration statement (a "Registering Stockholder") draft copies of all such documents proposed to be filed at least ten (10) business days (in the case of a Demand Registration) or five (5) business days (in the case of a Piggy-Back Registration) prior to such filing, which documents will be subject to the reasonable review and comment of such Registering Stockholder and its agents and representatives and underwriters, if any; *provided, further*, that the Company shall not file any registration statement in respect of a Demand Registration or amendment or supplement thereto to which the Partnership shall have a reasonable basis for objecting, or the underwriters, if any, shall (independently and without any influence by the Westaim Corporation in connection with such determination) object;

(ii) furnish without charge to each Registering Stockholder, and the underwriters, if any, at least one conformed copy of the registration statement and each post-effective amendment or supplement thereto (including all schedules and exhibits but excluding all documents incorporated or deemed incorporated therein by reference, unless requested in writing by any Registering Stockholder or underwriter) and such number of copies of the registration statement and each amendment or supplement thereto and the summary, preliminary, final, amended and supplemented prospectuses, as applicable, included in such registration statement as each Registering Stockholder and/or underwriter may reasonably request in order to facilitate the public sale or other disposition of the shares of Voting Common Stock being sold by such Registering Stockholders (the Company hereby consents to the use in accordance with the U.S. securities laws of such registration statement (or post-effective amendment thereto) and each such prospectus (or preliminary prospectus or supplement thereto) by each Registering Stockholder and/or underwriter, if any, in connection with the offering and sale of the shares of Voting Common Stock covered by such registration statement or prospectus);

(iii) except as set forth in Section 6.1 hereof, use its reasonable best efforts to keep such registration statement effective (i) in the case of a Shelf Registration, until the earlier of (A) such time as all of the shares of Common Stock covered by the registration statement have been disposed of and (B) the date on which the Company cannot extend the effectiveness of such Shelf Registration because it is no longer eligible for use of Form S-3 and (ii) in the case of a registration other than a Shelf Registration for the shorter of (A) one hundred and eighty (180) days and (B) such time as all of the shares of Common Stock covered by the registration statement have been disposed of (the "Effective Period"), and to prepare and file with the SEC such amendments, post-effective amendments and supplements to the registration statement and the prospectus as may be necessary to maintain the effectiveness of the registration statement for the Effective Period and cause the prospectus (and any amendments or supplements thereto) to be filed with the SEC;

(iv) use its reasonable best efforts to register or qualify the shares of Voting Common Stock covered by such registration statement under, and to the extent required by, the securities and blue sky laws of any jurisdiction, keep such registrations or qualifications in effect for so long as the registration statement remains in effect, and do any and all other acts and things which may be necessary to enable each Registering Stockholder and/or underwriter to consummate the disposition of such shares of Voting Common Stock in such jurisdictions; *provided, however,* that in no event shall the Company be required to (A) qualify to do business as a foreign corporation in any jurisdiction where it would not, but for the requirements of this subparagraph (iv), be required to be so qualified, (B) execute or file any general consent to service of process under the laws of any jurisdiction, (C) take any action that would subject it to service of process in suits other than those arising out of the offer and sale of the Voting Common Stock covered by the registration statement or (D) subject itself to taxation in any jurisdiction where it would not otherwise be obligated to do so but for this paragraph (iv);

(v) use its reasonable best efforts to cause the shares of Voting Common Stock to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable each Registering Stockholder to consummate the disposition of its shares of Voting Common Stock;

(vi) use its reasonable best efforts to cause all shares of Voting Common Stock covered by such registration statement to be listed on the New York Stock Exchange or on the principal securities exchange or interdealer quotation system on which the Voting Common Stock is then listed or quoted, if any, or if the Voting Common Stock is not then so listed, cause all such shares of Voting Common Stock to be listed on a United States national securities exchange or secure designation of such shares of Voting Common Stock as a Nasdaq Capital Market security or secure National Association of Securities Dealers Automated Quotation authorization for such shares of Voting Common Stock;

(vii) promptly notify each Registering Stockholder and the managing underwriter or underwriters, if any, after becoming aware thereof, (A) when the registration statement or any related prospectus or any amendment or supplement thereto has been filed, and, with respect to the registration statement or any post-effective amendment, when the same has become effective, (B) of any request by the SEC or any United States state securities authority for amendments or supplements to the registration statement or the related prospectus or for additional information, (C) of the issuance by the SEC of any stop order suspending the effectiveness of the registration statement or the initiation of any proceedings for that purpose, (D) of the receipt by the Company of any notification with respect to the suspension of the qualification of shares of Voting Common Stock for sale in any jurisdiction or the initiation of any proceeding for such purpose or (E) within the Effective Period, of the happening of any event or the existence of any fact which makes any statement in the registration statement or any post-effective amendment thereto, prospectus or any amendment or supplement thereto, or any document incorporated therein by reference, untrue in any material respect or which requires the making of any changes in the registration statement or post-effective amendment thereto or any prospectus or amendment or supplement thereto, so that none will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(viii) during the Effective Period, use its reasonable best efforts to obtain, as promptly as practicable, the withdrawal of any order enjoining or suspending the use or effectiveness of the registration statement or any post-effective amendment thereto or the lifting of any suspension of the qualification of any shares of Voting Common Stock in any jurisdiction;

(ix) deliver promptly to each Registering Stockholder and the managing underwriter or underwriters, if any, copies of all correspondence between the SEC and the Company, its counsel or auditors and all memoranda relating to discussions with the SEC or its staff with respect to the registration statement, and permit each Registering Stockholder to conduct such investigation with respect to the information contained in or omitted from the registration statement as it deems reasonably necessary for the purpose of conducting customary due diligence with respect to the Company; *provided, however*, that any such investigation shall not interfere unreasonably with the conduct of the Company's business;

(x) use its reasonable best efforts to provide and cause to be maintained a transfer agent and registrar for all shares of Voting Common Stock covered by such registration statement not later than the effective date of such registration statement;

(xi) cooperate with each Registering Stockholder and the managing underwriter or underwriters, if any, to facilitate the timely preparation and delivery of certificates representing the shares of Voting Common Stock to be sold under the registration statement in a form eligible for deposit with the Depository Trust Company, not bearing any restrictive legends and not subject to any stop transfer order with any transfer agent, and cause such shares of Voting Common Stock to be issued in such denominations and registered in such names as the managing underwriter or underwriters, if any, may request in writing or, if not an underwritten offering, in accordance with the instructions of each Registering Stockholder, in each case at least two (2) business days prior to any sale of shares of Voting Common Stock;

(xii) cooperate with the Depository Trust Company in order to utilize the services of the Depository Trust Company;

(xiii) in the case of an underwritten offering, use its reasonable best efforts to enter into an underwriting agreement customary in form and scope for underwritten offerings of the nature contemplated by the applicable registration statement;

(xiv) use its reasonable best efforts to obtain an opinion from the Company's counsel and a "comfort" letter from the Company's independent public accountants (and, if necessary, any other independent certified public accountants of any subsidiary of the Company or of any business acquired by the Company for which financial statements and financial data are, or are required to be, included in the registration statement) in customary form and covering such matters as are customarily covered by such opinions and "comfort" letters in connection with offerings of the nature contemplated by the applicable registration statement; provided that such records and other information provided in furtherance of obtaining such documents shall be subject to such confidential treatment as is customary for underwriters' due diligence reviews;

(xv) not later than the effective date of the applicable registration statement, provide a CUSIP number for all shares of Voting Common Stock;

(xvi) to make generally available to the Stockholders a consolidated earnings statement (which need not be audited) for a period of twelve (12) months beginning after the effective date of such registration statement as soon as reasonably practicable after the end of such period, which earnings statement shall satisfy the requirements of an earnings statement under Section 11(a) of the Securities Act and Rule 158 thereunder; and

(xvii) use its reasonable best efforts to provide to counsel to each Registering Stockholder and to the managing underwriter or underwriters, if any, no later than the time of filing of any document which is to be incorporated by reference into the registration statement or prospectus (after the initial filing of such registration statement), copies of any such document.

(b) In the event that the Company is required, pursuant to Section 6.3(a)(vii)(E) above, to notify any Registering Stockholder or the managing underwriter or underwriters, if any, of the happening of any event specified therein, the Company shall as promptly as practicable prepare and furnish to each Registering Stockholder and to each such underwriter a reasonable number of copies of a prospectus supplement or amendment so that, as thereafter delivered to purchasers of shares of Voting Common Stock, such prospectus shall not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Each Registering Stockholder agrees that, upon receipt of any notice from the Company pursuant to Section 6.3(a)(vii)(E) hereof, it shall, and shall use its reasonable best efforts to cause any sales or placement agent or agents for its shares of Voting Common Stock and the underwriters, if any, to, forthwith discontinue any disposition of shares of Voting Common Stock until such Person shall have received copies of such amended or supplemented prospectus and, if so directed by the Company, to destroy or to deliver to the Company all copies, other than permanent file copies, then in its possession of the prospectus (prior to such amendment or supplement) covering such shares of Voting Common Stock as soon as practicable after such Registering Stockholder's receipt of such notice.

(c) Each Registering Stockholder shall furnish to the Company in writing such information regarding such Registering Stockholder and its intended method of distribution of its shares of Voting Common Stock as the Company may from time to time reasonably request in writing, but only to the extent that such information is required in order for the Company to comply with its obligations under all applicable securities and other laws in connection with such registration and to ensure that the prospectus relating to such shares of Voting Common Stock conforms to the applicable requirements of the Securities Act and the rules and regulations thereunder. Each Registering Stockholder shall notify the Company as promptly as practicable of any inaccuracy or change in information previously furnished by such Registering Stockholder to the Company or of the occurrence of any event, in either case as a result of which any prospectus relating to shares of Voting Common Stock contains or would contain an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and promptly furnish to the Company any additional information required to correct and update any previously furnished information or required so that such prospectus shall not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(d) Each Stockholder agrees not to effect any public sale or distribution of any shares of Voting Common Stock, including any sale pursuant to Rule 144 under the Securities Act, and not to effect any such public sale or distribution of any other equity security of the Company or of any security convertible into or exchangeable or exercisable for any equity security of the Company (in each case, other than as part of such underwritten public offering) during the seven (7) days prior to, and during the one hundred and eighty (180) days (in the case of an IPO, otherwise ninety (90) days) (or such greater number of days as such Stockholder agrees with the underwriter of such offering) beginning on, the consummation of any underwritten public offering of the shares of Voting Common Stock covered by a registration statement referred to in Section 6.1 or Section 6.2 to the extent shares of Voting Common Stock are being sold thereunder.

(e) (i) In the case of any Demand Registration pursuant to an underwritten offering, or in the case of a Piggy-Back Registration if the Company has entered into an underwriting agreement in connection therewith, all shares of Voting Common Stock to be included in such registration statement shall be subject to the applicable underwriting agreement and no Stockholder may participate in such registration unless such Stockholder agrees to sell such Stockholder's shares of Voting Common Stock on the basis provided therein and completes and executes all questionnaires, indemnities, underwriting agreements and other documents (other than powers of attorney) which must be executed in connection therewith, and provides such other information to the Company or the underwriter as may be reasonably requested to register such Stockholder's Voting Common Stock; provided that no Stockholder selling Voting Common Stock included in any underwritten registration shall be required to make any representations or warranties to the Company or the underwriters (other than representations and warranties regarding such Stockholder and such Stockholder's intended method of distribution) or to undertake any indemnification obligations to the Company or the underwriters with respect thereto, except as otherwise provided in Section 6.5(b) hereof.

(ii) The Company hereby agrees that if it shall previously have received a Demand Request for an underwritten offering, and if such previous registration shall not have been withdrawn or abandoned, the Company shall not Transfer to a third party or third parties any shares of Voting Common Stock, any other equity security of the Company or any security convertible into or exchangeable or exercisable for any equity security of the Company until the earlier of (A) one hundred and eighty (180) days after the effective date of such registration statement and (B) such time as all of the shares of Voting Common Stock covered by such registration statement have been distributed; *provided, however*, that notwithstanding the foregoing, the Company may Transfer shares of Voting Common Stock or such other securities (v) as part of such underwritten offering, (w) pursuant to a registration statement on Form S-8 or Form S-4 under the Securities Act or any successor or similar form, (x) upon the conversion, exchange or exercise of any security granted prior to such request, or (y) if such Transfer was publicly announced or agreed to in writing by the Company prior to the date of the receipt of such request pursuant to Section 6.1 or Section 6.2.

Section 6.4 Registration Expenses. The Company shall bear all expenses (other than commissions and underwriting discounts) in connection with any IPO or other registration of shares of Voting Common Stock pursuant to this Article VI and the fees and expenses of a single counsel selected by the holders of a majority of the Shares designated for registration by the Registering Stockholders. Each Registering Stockholder shall bear the fees and expenses of its own other agents and advisors, if any.

Section 6.5 Indemnification; Contribution. (a) The Company shall, and it hereby agrees to, indemnify and hold harmless each Registering Stockholder and its directors, officers, employees, managers, members, partners and controlling Persons (each, an "Affiliated Indemnified Party"), if any, and each underwriter, its partners, members, directors, officers, employees and controlling Persons, if any, in any offering or sale of shares of Voting Common Stock, against any losses, claims, damages or liabilities, actions or proceedings (whether commenced or threatened) in respect thereof and expenses (including reasonable fees of counsel) (collectively, "Claims") to which each such indemnified party may become subject, insofar as such Claims (including any amounts paid in settlement effected with the consent of the Company as provided herein), or actions or proceedings in respect thereof, arise out of or are based upon (i) an untrue statement or alleged untrue statement of a material fact contained in any registration statement, or any preliminary or final prospectus contained therein, or any amendment or supplement thereto, or any document incorporated by reference therein, or (ii) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, or (iii) any violation or alleged violation by the Company of any U.S. federal, state or common law rule or regulation applicable to the Company and relating to action required, or inaction, by the Company in connection with any such registration, and the Company shall, and it hereby agrees to, reimburse on an as incurred basis each Registering Stockholder, each Affiliated Indemnified Party, and any such underwriter for any legal or other out-of-pocket expenses reasonably incurred by them in connection with investigating or defending any such Claims; *provided, however*, that the Company shall not be liable to any such Person in any such case to the extent that any such Claims arise out of or are based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, or preliminary or final prospectus, or amendment or supplement thereto, in reliance upon and in conformity with written information furnished to the Company by such Registering Stockholder (or any representative of such Registering Stockholder) in its capacity as a Stockholder expressly for use therein, or by such Registering Stockholder's failure to furnish the Company, within seven (7) days following receipt by such Registering Stockholder of the Company's request, with the information with respect to such Registering Stockholder or such Registering Stockholder's intended method of distribution (to the extent the Company has not arranged for a plan of distribution or other marketing arrangements for such registration), in each case to the extent such information (1) is required in order for the Company to comply with its obligations under all applicable securities and other laws in connection with such registration statement or prospectus and (2) is the subject of such untrue statement or omission, or if such Registering Stockholder or such underwriter sold securities to the Person alleging such Claims without sending or giving, at or prior to the written confirmation of such sale, a copy of the applicable prospectus (excluding any documents incorporated by reference therein) or of the applicable prospectus, as then amended or supplemented (excluding any documents incorporated by reference therein), if the Company had previously furnished copies thereof to such Registering Stockholder or such underwriter, and such prospectus corrected such untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement. The indemnity provided for herein shall remain in full force and effect regardless of any investigation made by or on behalf of such Registering Stockholder or any Affiliated Indemnified Party and shall survive the transfer of such securities by such Registering Stockholder.

(b) Each Registering Stockholder shall, and hereby agrees, to (i) indemnify and hold harmless the Company, its Directors, officers, employees and controlling Persons, if any, and each underwriter, its partners, managers, members, directors, officers, employees and controlling Persons, if any, in any offering or sale of shares of the Company's Voting Common Stock, against any Claims to which each such indemnified party may become subject, insofar as such Claims (including any amounts paid in settlement as provided herein), or actions or proceedings in respect thereof, arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any registration statement, or any preliminary or final prospectus contained therein, or any amendment or supplement thereto, or any document incorporated by reference therein, or arise out of or are based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case only to the extent that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by such Registering Stockholder expressly for use therein, and (ii) reimburse the Company for any legal or other out-of-pocket expenses reasonably incurred by the Company in connection with investigating or defending any such Claim; provided that, notwithstanding anything to the contrary contained herein, the foregoing obligation to indemnify shall be individual, not joint and several, for each Registering Stockholder and shall be limited in the aggregate to the net amount of proceeds received by such Registering Stockholder from the sale of Shares pursuant to such registration statement.

(c) Promptly after receipt by an indemnified party under Section 6.5(a) or Section 6.5(b) of written notice of the commencement of any action or proceeding for which indemnification under Section 6.5(a) or Section 6.5(b) may be requested, such indemnified party shall notify such indemnifying party in writing of the commencement of such action or proceeding; *provided, however*, that the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party in respect of such action or proceeding hereunder unless the indemnifying party was materially prejudiced by such failure of the indemnified party to give such notice, and in no event shall such omission relieve the indemnifying party from any other liability it may have to such indemnified party. In case any such action or proceeding shall be brought against any indemnified party and it shall notify an indemnifying party of the commencement thereof, such indemnifying party shall be entitled to participate therein and, to the extent that it shall determine, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party, and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, such indemnifying party shall not be liable to such indemnified party for any legal or any other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation; *provided, however*, that (i) if the indemnifying party fails to take reasonable steps necessary to defend diligently the action or proceeding within twenty (20) days after receiving notice from such indemnified party that the indemnified party believes it has failed to do so; (ii) if such indemnified party who is a defendant in any action or proceeding which is also brought against the indemnifying party reasonably shall have concluded that there may be one or more legal defenses available to such indemnified party which are not available to the indemnifying party; or (iii) if representation of both parties by the same counsel is otherwise inappropriate under applicable standards of professional conduct, then, in any such case, the indemnified party shall have the right to assume or continue its own defense as set forth above (but with no more than one firm of counsel for all indemnified parties in each jurisdiction) and the indemnifying party shall be liable for any expenses therefor (including, without limitation, any such reasonable counsel's fees). If the indemnifying party is not entitled to, or elects not to, assume the defense of a claim, it will not be obligated to pay the fees and expenses of more than one counsel for each indemnified party (in each jurisdiction where representation is reasonably required) with respect to such claim. The indemnifying party will not be subject to any liability for any settlement made without its consent, which consent shall not be unreasonably withheld or delayed. No indemnifying party shall, without the prior written consent of the indemnified party, compromise or consent to entry of any judgment or enter into any settlement agreement with respect to any action or proceeding in respect of which indemnification is sought under Section 6.5(a) or Section 6.5(b) (whether or not the indemnified party is an actual or potential party thereto), unless such compromise, consent or settlement includes an unconditional release of the indemnified party from all liability in respect of such claim or litigation, does not subject the indemnified party to any injunctive relief or other equitable remedy and does not include a statement or admission of fault, culpability or a failure to act, by or on behalf of the indemnified party.

(d) Each Stockholder and the Company agree that if, for any reason, the indemnification provisions contemplated by Section 6.5(a) or Section 6.5(b) hereof are unavailable to or are insufficient to hold harmless an indemnified party in respect of any Claims referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such Claims in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and the indemnified party, on the other hand, with respect to the applicable offering of shares of Voting Common Stock. The relative fault of such indemnifying party and indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by such indemnifying party or by such indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. If, however, the allocation in the first sentence of this Section 6.5(d) is not permitted by applicable law, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative faults, but also the relative benefits of the indemnifying party and the indemnified party, as well as any other relevant equitable considerations. The parties hereto agree that it would not be just and equitable if contributions pursuant to this Section 6.5(d) were to be determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to in the preceding sentences of this Section 6.5(d). The amount paid or payable by an indemnified party as a result of the Claims referred to above shall be deemed to include (subject to the limitations set forth in this Section 6.5(d) hereof) any legal or other fees or expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action, proceeding or claim; provided that the obligation to indemnify shall be individual, not joint and several, for each Registering Stockholder and shall be limited in the aggregate to the net amount of proceeds received by such Registering Stockholder from the sale of Shares pursuant to such registration statement. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

Section 6.6 Effect on Transfer Restrictions. Nothing in this Article VI shall affect, supersede or otherwise modify (a) any of the restrictions on Transfer set forth in Article IV or (b) any other provision of this Agreement in respect of any shares of Voting Common Stock not sold pursuant to a registration statement under this Article VI.

ARTICLE VII

ADDITIONAL AGREEMENTS

Section 7.1 Stockholder Voting. (a) Each Stockholder agrees that it will vote, or cause to be voted, all Shares beneficially owned by it and its Affiliates (to the extent such Shares are entitled to vote) so as to give effect to the agreements contained in this Agreement, and no party hereto shall take any action directly as a Stockholder which would contravene or frustrate the implementation of these agreements. No Stockholder will vote in favor of any amendment or modification to either the Charter or the Bylaws that would contravene any term or condition of this Agreement.

(b) If any Stockholder fails or refuses to vote or cause to be voted the Shares beneficially owned by it and its Affiliates as required by, or votes or causes to be voted such Shares in contravention of, the agreements contained in this Agreement, then the other Stockholders shall have an irrevocable proxy, which shall be deemed to be coupled with an interest, that will enable them, or any of them, to vote such Shares in accordance with such agreements, and each Stockholder hereby grants such an irrevocable proxy to the other Stockholders.

(c) Each Stockholder agrees to execute from time to time in the future any document or documents required by law to keep the voting agreements contained in this Agreement in full force and effect throughout the term of this Agreement.

(d) Except as required pursuant to this Section 7.1, no Stockholder shall grant any proxy or enter into or agree to be bound by any voting trust with respect to the Shares nor shall any Stockholder enter into any stockholders' agreement or arrangement of any kind with any Person with respect to the Shares on terms that are inconsistent with or which violate or conflict with the provisions of this Agreement including, but not limited to, agreements or arrangements with respect to the acquisition, disposition or voting of Shares.

Section 7.2 Information Rights.

(a) The Company shall furnish to each Major Stockholder, upon receipt of a reasonable request in writing:

(i) promptly after they become available, but in no event later than forty-five (45) days after the close of each quarterly period of each fiscal year of the Company, unaudited consolidated financial statements of the Company and its Subsidiaries prepared in accordance with generally accepted accounting principles as of the end of and for each such quarterly period, and unaudited quarterly statutory financial statements of each Company Subsidiary which is a regulated insurance company (collectively, "Insurance Companies"), in each case as filed with the insurance department or commission of its domiciliary regulator and as of the end of and for each such quarterly period;

(ii) promptly after they become available, but in no event later than ninety (90) days after the end of each fiscal year of the Company, audited consolidated financial statements of the Company and its Subsidiaries prepared in accordance with generally accepted accounting principles as of the end of and for each such fiscal year, in each case certified by an independent certified public accountant of recognized standing, together with a management letter summarizing the financial condition, results of operations and business of the Company as of the end of and for such fiscal year;

(iii) promptly after they become available, audited annual statutory financial statements of each Insurance Company, as filed with the insurance department or commission of its domiciliary regulator;

(iv) promptly after they become available the annual business plan and budget of the Company and its Subsidiaries; and

(v) to the extent prepared and provided to the Directors, monthly financial statements.

(b) Major Stockholders shall, upon reasonable request, have reasonable access to the officers and books and records (including, without limitation, rating agency material and financial information delivered to a Major Stockholder) of the Company and its Subsidiaries.

(c) All Major Stockholders will be entitled to receive any and all written materials delivered to the Board in connection with any meeting of the Board at the same time and in the same manner as such materials are delivered to the Board, unless the provision of such materials to such Major Stockholder would result in the loss of a legal privilege.

(d) Confidentiality. No Director or Stockholder who receives confidential information of the Company or its Subsidiaries shall use the confidential information for any purpose other than for the purposes for which it was provided by the Company, consistent with such person's fiduciary duties to the Company where applicable. For the avoidance of doubt, any Stockholder may disclose (i) the existence of its investment in the Company, (ii) all such information as it is required to disclose in order to comply with all laws or rules of a securities exchange (including, without limitation, securities laws, exchange regulations, and regulatory filing requirements) applicable to it and its Controlled Affiliates and (iii) to any existing or prospective Affiliate, limited partner, partner, member, stockholder, or wholly owned subsidiary of such Stockholder in the ordinary course of business, provided that such Stockholder informs such Person that such information is confidential and directs such Person to maintain the confidentiality of such information. Each Stockholder shall be liable for the manner in which its Stockholder Designees use such confidential information. The Company, on behalf of itself and its Subsidiaries, hereby consents to the use of its and their respective names and logos in marketing or similar materials that may be used by a Major Stockholder for the purpose of raising investment funds affiliated with such Major Stockholder.

Section 7.3 Management Rights. Each Major Stockholder shall be entitled to receive from the Company at any time after the date of this Agreement, upon such Major Stockholder's reasonable request, a "management rights letter" in substantially the form attached hereto as Annex F.

Section 7.4 Additional Stockholders.

(a) As soon as reasonably practicable after (i) the Effective Time and (ii) the Transfer of any Shares permitted under the terms hereof, the Company shall amend Annex A and Annex B to reflect the number of Shares held by, and the name of, each Stockholder as at such time.

(b) The provisions of this Agreement shall apply to all Shares granted or issued by the Company after the date of this Agreement pursuant to or in connection with any employment agreements between the Company and its employees or the Stock Plan, and the Company shall not grant or issue any such Shares unless and until the intended recipient thereof has executed a counterpart to this Agreement as a Stockholder.

Section 7.5 Rule 144. At all times after an IPO, the Company will use its reasonable efforts to file in a timely manner all reports required to be filed by it pursuant to the Securities Exchange Act of 1934, as amended, and, if at any time thereafter, the Company is not required to file such reports, it will use its reasonable efforts to make available to the public, to the extent required to permit the sale of Shares by any holder of Shares pursuant to Rule 144 under the Securities Act, current information about itself and its activities as contemplated by Rule 144 under the Securities Act, as it may be amended from time to time.

Section 7.6 No Enforcement of Prior Agreements. The parties hereto agree that they shall not enforce any rights that may continue to exist under (i) the Stockholders Agreement, dated August 2, 2006, by and among Lightyear, White Mountains Investments (Bermuda) Ltd., Lehman Brothers Merchant Banking Partners III, L.P., Lehman Brothers Merchant Banking Fund III, L.P., Lehman Brothers Merchant Banking Capital Partners V, L.P., LB I Group Inc., AlpInvest Partners CS investments 2006 C.V., AlpInvest Partners Later Stage co-Investments Custodian IIA B.V., Detlef Steiner, William Davis, Mary Sbaschnig, certain other Stockholders (as defined therein) signatory thereto and the Company; or (ii) the Prior Agreement. Notwithstanding anything contained herein or in any other agreement (written or oral) to the contrary, and notwithstanding whether or not another party who is or was or becomes a Stockholder has not executed this Agreement as contemplated herein, each Person who executes this Agreement who is or was or becomes a Stockholder agrees to be bound by the provisions, terms and conditions set forth herein notwithstanding the existence of any other stockholders agreement or other agreement that relates to the subject matter hereof and each such Person who executes and delivers this Agreement hereby expressly agrees not to enforce any other such agreement.

ARTICLE VIII

TERMINATION

Section 8.1 Termination of This Agreement. Except as set forth in Section 8.4 below, this Agreement shall terminate, without any further action of the parties hereto, upon the earlier of

(a) the occurrence of a Qualified IPO; and

(b) the time when one Person (together with its Affiliates) owns all of the Shares.

Section 8.2 Written Consent. This Agreement may also be terminated at any time by the written consent of the Stockholders holding 90% of the outstanding Voting Common Stock including, until the Closing of the transactions contemplated by the Remaining Shares Purchase Agreement, the written consent of the holders of 90% of the Voting Common Stock then held by the Selling Stockholders.

Section 8.3 Termination of a Party. Any party to this Agreement shall cease to be a party hereto and this Agreement shall terminate with respect to such party, without any further action of the parties hereto, at the time such party no longer owns any Shares or securities convertible into or exchangeable for any Shares; *provided, however*, that no such termination shall relieve any party of any obligation or liability for damages resulting from such party's breach of this Agreement prior to the party's disposition of its Shares; *provided, further*, that Section 7.2, Section 7.3, Article VI and Article IX shall not terminate with respect to a party notwithstanding the party's disposition of its Shares.

Section 8.4 Effect of Termination. In the event of the termination of this Agreement as provided in Section 8.1 or Section 8.2 hereof, this Agreement shall become void and have no further effect without any liability on the part of any party; *provided, however*, that no such termination shall relieve any party of any obligation or liability for damages resulting from such party's breach of this Agreement prior to its termination; *provided, further*, that Section 4.3, Section 4.5, Section 7.2(d), Section 7.5, this Section 8.4, Article VI and Article IX and any management rights letter entered into pursuant to Section 7.3 shall survive any termination of this Agreement.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Modification; Waiver. Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by the parties hereto, or in the case of a waiver, by the party against whom the waiver is sought to be effective. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative.

Section 9.2 Entire Agreement. This Agreement (including all Exhibits and Schedules hereto) contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements or understandings, oral or written, between the parties with respect to such subject matter.

Section 9.3 Governing Law. This Agreement shall be construed in accordance with and governed by the Laws of the State of Delaware applicable to agreements made and to be performed entirely within the State of Delaware without giving effect to the conflicts of law principles thereof.

Section 9.4 Dispute Resolution. Any claim, controversy or dispute arising hereunder which is not resolved through mutual good-faith efforts and negotiation shall be settled by arbitration. In the event of such dispute, the parties having such dispute shall agree upon one arbitrator to adjudicate the dispute and the rules under which such dispute shall be adjudicated. If such parties cannot so agree within a period of fifteen (15) days after the dispute has arisen, then it shall be settled and finally determined by arbitration in Delaware in accordance with, and by an arbitrator appointed pursuant to, the Commercial Arbitration Rules of the American Arbitration Association then in effect, and judgment upon the award rendered pursuant thereto may be entered in any court having jurisdiction thereof, and all rights and remedies of such parties hereto to the contrary are hereby expressly waived. The costs engaged in the arbitration shall be borne by each party to the arbitration according to a distribution established by the arbitrator. The arbitrator shall act as expert and not as arbitrator and such arbitrator's decision shall (in the absence of manifest error) be final and binding on the parties to such dispute. The parties agree that all matters pertaining to the arbitration will be kept confidential including, but not limited to, the existence of the arbitration, any pleadings, briefs or other documents exchanged, any testimony or other oral submissions and/or any awards.

Section 9.5 Notices. All notices, requests, consents, demands, instructions, approvals and other communications hereunder (collectively, "Notices") shall be in writing and shall be validly given, made or served if delivered personally or sent by certified or registered mail return receipt requested or if sent by recognized courier service or delivered by facsimile, electronic mail or other electronic means, upon electronic transmission and confirmation of receipt, , in any case addressed or directed as set forth on Annex G or to such other Person or at such other address or number for a party as shall be specified by like Notice. Any Notice shall be deemed to have been duly given to any party to whom it is directed hereunder when delivered personally, sent by facsimile transmission, three (3) days after deposit in the U.S. mail and one (1) day after deposit with a recognized overnight courier service; *provided, however*, that any Notice by facsimile transmission is promptly confirmed by telephone confirmation thereof.

Section 9.6 Assignment. This Agreement shall be binding upon, inure to the benefit of and be enforceable by and against the parties hereto and their respective successors and permitted assigns. Except as otherwise required herein, this Agreement may not be directly or indirectly assigned, by operation of Law or otherwise, by any party hereto. Any purported direct or indirect assignment in violation of this Section 9.6 shall be null and void *ab initio*.

Section 9.7 No Third-Party Beneficiaries. Nothing expressed by or mentioned in this Agreement is intended or shall be construed to give any Person other than the parties hereto and their respective successors or permitted assigns, and the Persons referred to in Section 6.5(a) and Section 6.5(b) any legal or equitable right, remedy, or claim under or in respect to this Agreement or any provision herein contained, this Agreement and all conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties and their respective successors and permitted assigns, and for the benefit of no other Person or entity.

Section 9.8 Specific Performance. Each party hereto acknowledges that it would be impossible to determine the amount of damages that would result from any breach of any of the provisions of this Agreement and that the remedy at law for any breach, or threatened breach, of any of such provisions would likely be inadequate and, accordingly, agrees that the other parties shall, in addition to any other rights or remedies which they may have, be entitled to seek such equitable and injunctive relief as may be available from any court of competent jurisdiction to compel specific performance of, or restrain any party from violating, any of such provisions. In connection with any action or proceeding for injunctive relief, each party hereto hereby waives the claim or defense that a remedy at law alone is adequate and agrees, to the maximum extent permitted by law, to have each provision of this Agreement specifically enforced against it, without the necessity of posting bond or other security against it, and consents to the entry of injunctive relief against it enjoining or restraining any breach or threatened breach of such provisions of this Agreement.

Section 9.9 Headings. The heading references herein and in the table of contents hereto are for convenience purposes only, do not constitute a part of this Agreement and shall not be deemed to alter or affect the meaning or interpretation of any provisions hereof.

Section 9.10 Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid or unenforceable in any jurisdiction (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

Section 9.11 Counterparts; Electronic Signature. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which, taken together, shall constitute one and the same instrument. It is hereby agreed by the parties that an electronic signature or a copy of an original signature to this Agreement, delivered by facsimile, electronic mail or other electronic means (attached to or attaching an electronic copy of the document), upon transmission and confirmation of receipt, shall have the same force and effect as the delivery of a manually executed and original copy of such signature and shall bind the parties hereto.

Section 9.12 Relationship of Parties. Nothing herein contained shall constitute the parties hereto members of any partnership, joint venture, association, syndicate, or other entity, or be deemed to confer on any of them any express, implied, or apparent authority to incur any obligation or liability on behalf of another party.

Section 9.13 Construction. This Agreement has been negotiated by the parties and their respective counsel in good faith and will be fairly interpreted in accordance with its terms and without any strict construction in favor of or against any party.

Section 9.14 Effectiveness. This Agreement shall become effective at the Effective Time and the prior agreement shall terminate, except for any executory provisions then being performed.

[The Next Pages are the Signature Pages]

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

LIGHTYEAR FUND II, L.P.

By: Lightyear Fund II GP, L.P., its general partner

By: Lightyear Fund II GP Holdings, LLC, its general partner

By: /s/Timothy Karani
Name: Timothy Karani
Title: Authorized Signatory

LIGHTYEAR CO-INVEST PARTNERSHIP II, L.P.

By: Lightyear Fund II GP Holdings, LLC, its general partner

By: /s/Timothy Karani
Name: Timothy Karani
Title: Authorized Signatory

TRILANTIC CAPITAL PARTNERS III, L.P.

By: Trilantic Capital Management LLC, its Investment Manager u/p/a dated 4/10/09

By: /s/E. Daniel James
Name: E. Daniel James
Title: Authorized Signatory

TRILANTIC CAPITAL PARTNERS FUND III ONSHORE ROLLOVER L.P.

By: Trilantic Capital Management LLC, its Investment Advisor u/p/a dated 9/17/10

By: /s/E. Daniel James
Name: E. Daniel James
Title: Authorized Signatory

TRILANTIC CAPITAL PARTNERS FUND (B) III, L.P.

By: Trilantic Capital Management LLC, its Investment Manager u/p/a dated 4/10/09

By: /s/E. Daniel James
Name: E. Daniel James
Title: Authorized Signatory

TRILANTIC CAPITAL PARTNERS FUND III, L.P.

By: Trilantic Capital Management LLC, its Investment Manger u/p/a dated 4/10/09

By: /s/E. Daniel James
Name: E. Daniel James
Title: Authorized Signatory

TCP CAPITAL PARTNERS V L.P.

By: Trilantic Capital Management LLC, its Subadvisor u/p/a dated 4/10/09

By: /s/E. Daniel James
Name: E. Daniel James
Title: Authorized Signatory

GARD INVESTMENT COMPANY LLC

By: /s/E. Daniel James
Name: E. Daniel James
Title: Attorney-in-fact

[Signature Page to Amended and Restated Stockholders' Agreement]

THE HOWARD H. LEACH REVOCABLE TRUST U/A DTD

By: /s/E. Daniel James
Name: E. Daniel James
Title: Attorney-in-fact

[Signature Page to Amended and Restated Stockholders' Agreement]

JOSEPH W. LUTER III

By: /s/E. Daniel James
Name: E. Daniel James
Title: Attorney-in-fact

[Signature Page to Amended and Restated Stockholders' Agreement]

LUCIO A. NOTO

By: /s/E. Daniel James
Name: E. Daniel James
Title: Attorney-in-fact

J&L BLEND LP

By: J&L Blend I, LLC, its general partner

By: Robert Family Partnership, L.P., its manager

By: Robert Family Inc., its general partner

By: /s/Bruce T. Cunningham
Name: Bruce T. Cunningham
Title: President

THE FOURTH AMENDMENT AND RESTATEMENT OF THE JOSEPH E. ROBERT, JR. REVOCABLE TRUST DATED NOVEMBER 7, 2011 (NOW IRREVOCABLE)

By: /s/G. David Fensterheim
Name: G. David Fensterheim
Title: Trustee

[Signature Page to Amended and Restated Stockholders' Agreement]

/s/Detlef Steiner
DETLEF STEINER

[Signature Page to Amended and Restated Stockholders' Agreement]

/s/Mary Sbaschnig
MARY SBASCHNIG

/s/Bill Davis
BILL DAVIS

[Signature Page to Amended and Restated Stockholders' Agreement]

/s/Stephen L. Way
STEPHEN L. WAY

[Signature Page to Amended and Restated Stockholders' Agreement]

ARGOS GROUP US, INC.

By: /s/Jay S. Bullock
Name: Jay S. Bullock
Title: SVP Finance

[Signature Page to Amended and Restated Stockholders' Agreement]

CLEARWATER INSURANCE COMPANY

By: /s/Robert S. Kent
Name: Robert S. Kent
Title: Vice President

[Signature Page to Amended and Restated Stockholders' Agreement]

/s/Barry J. Cook
BARRY J. COOK

[Signature Page to Amended and Restated Stockholders' Agreement]

CRANE PRIVATE EQUITY, LTD.

By: /s/ James L. Crane
Name: James L. Crane
Title: Authorized Signatory

[Signature Page to Amended and Restated Stockholders' Agreement]

FREEDOM MARKETS, L.P.

By: /s/Brian Wilburn
Name: Brian Wilburn
Title: Manager

[Signature Page to Amended and Restated Stockholders' Agreement]

INTERNATIONAL GENERAL INSURANCE CO., LTD.

By: /s/ Wasef Jabsheh
Name: Wasef Jabsheh
Title: C.E.O.

[Signature Page to Amended and Restated Stockholders' Agreement]

JUNIPER TRST

By: /s/ John Knox, Jr.
Name: John Knox, Jr.
Title: Trustee

[Signature Page to Amended and Restated Stockholders' Agreement]

/s/Rhonda N. Kemp
RHONDA N. KEMP

MARQUIS LAFAYETTE, LLC

By: /s/ James C. Hays
Name: James C. Hays
Title: C.E.O.

[Signature Page to Amended and Restated Stockholders' Agreement]

PHILIP SCHUYLER LLC

By: /s/ Stephen Lerum
Name: Stephen Lerum
Title: C.F.O.

[Signature Page to Amended and Restated Stockholders' Agreement]

THE SERVAT GROUP LLC

By: /s/ H. Elder Brown, Jr.
Name: H. Elder Brown, Jr.
Title: Manager

[Signature Page to Amended and Restated Stockholders' Agreement]

SURETEC INSURANCE COMPANY

By: /s/ John Knox, Jr.
Name: John Knox, Jr.
Title: CEO

[Signature Page to Amended and Restated Stockholders' Agreement]

VLJ TRUST

By: /s/ C. John Hildebrand
Name: C. Jon Hildebrand
Title: Trustee

/s/L. Byron Way
L. BYRON WAY

[Signature Page to Amended and Restated Stockholders' Agreement]

/s/Deborah Stufflelean
DEBORAH STUFFLELEAN

[Signature Page to Amended and Restated Stockholders' Agreement]

/s/Michael R. Wilson
MICHAEL R. WILSON

[Signature Page to Amended and Restated Stockholders' Agreement]

/s/Christopher S. Wilson
CHRISTOPHER S. WILSON

[Signature Page to Amended and Restated Stockholders' Agreement]

/s/John Garner
JOHN GARNER

[Signature Page to Amended and Restated Stockholders' Agreement]

/s/Steven R. Brooks
STEVEN R. BROOKS

[Signature Page to Amended and Restated Stockholders' Agreement]

/s/Sharyn Way Gebot
SHARYN WAY GEBOT

/s/Paul DeRidder
PAUL DERIDDER

[Signature Page to Amended and Restated Stockholders' Agreement]

/s/Daniel Barrett
DANIEL BARRETT

[Signature Page to Amended and Restated Stockholders' Agreement]

/s/Arthur Seifert
ARTHUR SEIFERT

[Signature Page to Amended and Restated Stockholders' Agreement]

/s/Peregrine Towneley
PEREGRINE TOWNELEY

ALPINVEST PARTNERS CS INVESTMENTS 2006 C.V.

By: AlpInvest Partners 2006 B.V., its general partner

By: AlpInvest Partners B.V., its managing director

By: /s/ R.N. de Jong
Name: R.N. de Jong
Title: Managing Director

By: /s/ P.F.F. de van der Schueren
Name: P.F.F. de van der Schueren
Title: Chief Legal Officer

ALPINVEST PARTNERS LATER STAGE CO-INVESTMENTS CUSTODIAN IIA B.V., as custodian for ALPINVEST PARTNERS LATER STAGE CO-INVESTMENTS IIA C.V.

By: AlpInvest Partners B.V., its managing director

By: /s/ R.N. de Jong
Name: R.N. de Jong
Title: Managing Director

By: /s/ P.F.F. de van der Schueren
Name: P.F.F. de van der Schueren
Title: Chief Legal Officer

/s/Nida T. Godfrey
NIDA T. GODFREY

[Signature Page to Amended and Restated Stockholders' Agreement]

/s/Robin D. Roberts
ROBIN D. ROBERTS

[Signature Page to Amended and Restated Stockholders' Agreement]

/s/Osa L. Andrews
OSA L. Andrews

[Signature Page to Amended and Restated Stockholders' Agreement]

/s/Mark Rattner
MARK RATTNER

[Signature Page to Amended and Restated Stockholders' Agreement]

/s/Ahmad Mian
AHMAD MIAN

[Signature Page to Amended and Restated Stockholders' Agreement]

/s/Kevin Cunningham
KEVIN CUNNINGHAM

[Signature Page to Amended and Restated Stockholders' Agreement]

/s/Mike Leamanczyk
MIKE LEAMANCZYK

[Signature Page to Amended and Restated Stockholders' Agreement]

/s/Dennis Chookaszian
DENNIS CHOOKASZIAN

[Signature Page to Amended and Restated Stockholders' Agreement]

/s/Rico Enerio
RICO ENERIO

[Signature Page to Amended and Restated Stockholders' Agreement]

/s/Kirby Hill
KIRBY HILL

[Signature Page to Amended and Restated Stockholders' Agreement]

/s/Cynthia L. Casale
CYNTHIA L. CASALE

[Signature Page to Amended and Restated Stockholders' Agreement]

/s/Edward H. Ellis
EDWARD H. ELLIS

[Signature Page to Amended and Restated Stockholders' Agreement]

/s/Robert Creager
ROBERT CREAGER

[Signature Page to Amended and Restated Stockholders' Agreement]

WESTAIM HIIG LIMITED PARTNERSHIP
By: Westaim HIIG GP Inc., its general partner

By: /s/ Glenn MacNeil
Name: Glenn MacNeil
Title: CFO

[Signature Page to Amended and Restated Stockholders' Agreement]

Annex A

Stockholder

Argo Re, Ltd
Arthur Seifert
Barry J. Cook
Brian Featherstone
Brian Zhang
Byron L. Way
Charles Lamberta
Chase M. Clark
Chris A. Nichols
Cooper B. Wallach
Craig Willey
Crane Private Equity Ltd.
Cynthia L. Casale
Dan Bodnar
Daniel Barrett
David Burgess
Christopher S. Wilson
Detlef Steiner
Donald K. Wilson
Donna C. Green
Douglas C. Davies
Eastwood Trust
Edward H. Ellis
Freedom Markets LP
International General Insurance Co. Ltd_B
Janet P. Yienger
Jimmy H. Godfrey
Joel Vaag
John Garner
John Greco
Juniper Trust
K. Sterling LLC
Kirby A. Hill
Leslie K. Shaunty
Lynn A. Cordes

Stockholder

Mark E. Rattner
Mark Haushill
Marquis Lafayette LLC
Michael Abdulahad
Michael Baker
Mike Leamanczyk
Nida T. Godfrey
Patsy Andrews
Paul DeRidder
Peregrine H. Towneley
Peter B. Smith
Philip Schuyler LLC
Renee J. Montgomery
Rhonda N. Kemp
Richard W. Hitch
Rico Enerio
Robert E. Creager
Robin D. Roberts
Sharyn Way Gebot
Shawn A. Stinson
Stephen L. Way
Steven R. Brooks
Suretec Insurance Company
Susan K. Swails
The Servat Group LLC.
The Westaim Corporation
TIG Insurance Company
Timothy D. Spacek
VLJ Trust
Westcliff Trust
William A. Carelton

Annex B

[***]

ANNEX C

DEFINED TERMS

Term	Section
Affiliate	Section 4.3(b)
Affiliated Indemnified Party	Section 6.5(a)
Agreement	Preamble
Alpinvest	Section 2.3(b)
Blackout Period	Section 6.1(b)
Board	Section 2.1
Bylaws	Section 2.1
Charter	Recitals
Claims	Section 6.5(a)
Common Stock	Recitals
Company	Preamble
Controlled Affiliate	Section 2.3(b)
Demand Registration	Section 6.1(a)
Demand Request	Section 6.1(a)
Demand Shares	Section 6.1(a)
Demanding Stockholder	Section 6.1(a)
Director	Section 3.1
Drag-Along Notice	Section 4.4(a)
Drag-Along Sale	Section 4.4(a)
Effective Period	Section 6.3(a)(iii)
Effective Time	Recitals
Eligible Demanding Stockholder	Section 6.1(a)
Encumbrance	Section 3.5(a)(ii)
Existing Stockholder Designees	Section 3.2(a)(iv)
Existing Stockholder Group	Section 3.2(a)(iv)
Fully-Diluted	Section 4.2(a)
Initial Purchase Agreement	Recitals
Initial Purchased Common Stock	Recitals
Insurance Companies	Section 7.2(a)(i)
IPO	Section 4.3(a)
Law	Section 2.2
Lightyear	Recitals
Lightyear Designees	Section 3.2(a)(ii)
Major Stockholder	Section 2.3(a)
Majority Board Vote	Section 3.5(a)
Maximum Number	Section 6.2(b)
Non-Voting Common Stock	Recitals
Notices	Section 9.5
Offered Stock	Section 4.2(a)
Partnership	Recitals
Partnership Designees	Section 3.2(a)(i)

Permitted Transfer	Section 4.1
Person	Section 2.3(a)
Piggy-Back Registration	Section 6.2(a)
Piggy-Back Request	Section 6.2(a)
Piggy-Back Stockholder	Section 6.2(a)
Prior Agreement	Recitals
Proportionate Equity Interest	Section 5.1(a)
Purchase Agreements	Recitals
Purchased Common Stock	Recitals
Purchases	Recitals
Qualified IPO	Section 4.5(a)
Registering Stockholder	Section 6.3(a)(i)
Remaining Shares Purchase Agreement	Recitals
Remaining Offered Stock	Section 4.2(b)
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Sale Percentage	Section 4.4(a)
SEC	Section 6.3(a)(i)
Second Purchase Period	Recitals
Securities Act	Section 4.1
Selling Stockholders	Recitals
Shares	Section 3.5(a)(iv)
Stock Plan	Recitals
Stockholder	Preamble
Subscription	Recitals
Subscription Agreement	Recitals
Subscribed Common Stock	Recitals
Subsidiary	Section 2.3(b)
Tag-Along Holders	Section 4.5(a)
Tag-Along Notice	Section 4.5(a)
Tag-Along Sale	Section 4.5(a)
Tag-Along Shares	Section 4.5(a)
Third Party Purchaser	Section 4.3(a)
Total Tag-Along Shares	Section 4.5(a)
Transfer	Section 4.1
Transferees	Section 4.1
Voting Common Stock	Recitals
Way	Section 2.3(a)

ANNEX D

CHARTER
[***]

ANNEX E

BYLAWS
[***]

ANNEX F

MANAGEMENT RIGHTS LETTER [***]

ANNEX G

NOTICE ADDRESSES

[***]

Houston International Insurance Group, Ltd.
2016 Equity Incentive Program

1. PURPOSE

This Program is intended to foster and promote the long-term financial success of Houston International Insurance Group, Ltd., a Delaware corporation ("Company"), by providing stock purchase and matching stock grant opportunities for its key employees and directors. There are two components to the Program:

(a) each Designated Individual will be given the opportunity to purchase shares of common stock of the Company pursuant to Section 6 below; and

(b) the Company will match the number of shares of common stock purchased by the Designated Individual with a separate grant of Award Stock under Section 7 below.

As a condition to any acquisition of Shares pursuant to the Program, whether through the receipt of an Award Stock Grant or a Share Purchase Right, the Designated Individual shall be subject to the terms of the Company Stockholders' Agreement, as may be amended from time to time, and attached as **Exhibit A**, which shall be evidenced through the execution of a Joinder Agreement in the form attached as **Exhibit B**.

2. DEFINITIONS

(a) "Administrator" means the Company's Chief Executive Officer, or such other individual as may be designated by the Board, to administer the Program.

(b) "Affiliate" means any entity (whether a corporation, partnership, joint venture or other form of entity) that directly, or indirectly through one or more intermediaries, controls, or is controlled by or is under common control with, the Company.

(c) "Award Stock" means Shares issued pursuant to Section 7 that are not fully transferable until certain conditions have been met.

(d) "Award Agreement" means an agreement (including any ancillary documents attached thereto), in the form attached as **Exhibit C**, entered into by a Designated Individual and the Company evidencing the matching Award Stock Grant issued to the Designated Individual.

(e) "Award Stock Grant" means Award Stock issued to a Participant pursuant to Section 7 of the Program and evidenced by an Award Agreement (including any ancillary documents attached thereto).

(f) "Board" means the Board of Directors of the Company.

(g) "Change of Control" means a sale of substantially all of the assets of the Company or the acquisition by any Person, other than any Person that holds more than twenty percent (20%) of the Common Stock of the Company on the Effective Date, of direct or indirect ownership of more than fifty percent (50%) of the fully diluted voting Common Stock of the Company.

Notwithstanding the foregoing, however, in any circumstance or transaction in which compensation resulting from or in respect of an Award Stock Grant would result in the imposition of an additional tax under Code Section 409A if the foregoing definition of "Change of Control" were to apply, but would not result in the imposition of any additional tax if the term "Change of Control" were defined herein to mean a "change in control event" within the meaning of Treasury Regulation Section 1.409A-3(i)(5), then "Change of Control" shall mean a "change in control event" within the meaning of Treasury Regulation Section 1.409A-3(i)(5), but only to the extent necessary to prevent such compensation from becoming subject to an additional tax under Code Section 409A.

(h) "Code" means the Internal Revenue Code of 1986, as amended.

(i) "Committee" means the committee designated by the Board pursuant to Section 3.

(j) "Common Stock" means the common stock of the Company.

(k) "Date of Grant" means the date when the Company completes the corporate action necessary to create the legally binding right constituting an Award Stock Grant, as provided in Code Section 409A and the regulations thereunder.

(l) "Designated Individual" means an Employee or Director of the Company who is permitted by the Administrator to participate in the Program.

(m) "Director" means member of the Board who is not an Employee.

(n) "Effective Date" means the date the Program is approved by the Board.

(o) "Employee" means any person currently employed by the Company or an Affiliate and a Participant who was employed, but is no longer employed by the Company or an Affiliate.

(p) "Employer" means the Company or any Affiliate which is the direct employer of a Participant.

(q) "Fair Market Value" on any date means the market price of Common Stock, determined by the Committee as follows:

(i) in the absence of an established market for the Common Stock of the type described in (ii) and (iii) below, the Fair Market Value thereof shall be determined by the Committee in good faith; provided, however, that during any period in which The Westaim Corporation ("Westaim") directly or indirectly owns more than fifty percent (50%) of the Company's equity, this determination shall consider the Fair Market Value assigned to the Company's equity by Westaim in its public filings;

(ii) if the Common Stock is listed on an established stock exchanges or national market system (*e.g.*, the Toronto Stock Exchange, the NYSE or the NASDAQ), Fair Market Value shall be the closing sales price for such stock as quoted on the principal exchange or system on which the Common Stock is listed (as determined by the Committee) on the date of determination (or, if no sales were reported on that date, on the last trading date such closing sales price was reported), as reported in The Wall Street Journal or reported such other source as the Committee deems reliable; or

(iii) if the Common Stock is regularly quoted on an automated quotation system (including the OTC Bulletin Board) or by a recognized securities dealer, its Fair Market Value shall be the closing sale price for such stock as quoted on such system or by such securities dealer on the date of determination (or, if no such price was reported on that date, on the last date such price was reported), as reported in The Wall Street Journal or such other source as the Committee deems reliable.

The Committee's determination of Fair Market Value shall be conclusive and binding on all persons. In any event, the definition of Fair Market Value shall be determined consistent with the "fair market value" definition under Code Section 409A and the regulations thereunder.

(r) "For Cause Termination" shall mean termination of a Participant's employment by the Company or an Affiliate for (i) the Participant's willful and continued failure to perform the Participant's material duties with respect to the Company or an Affiliate which continues beyond fifteen (15) days after a written demand for substantial performance is delivered to the Participant by the Company or an Affiliate, (ii) willful misconduct by the Participant involving dishonesty, or breach of trust in connection with the Participant's employment hereunder, (iii) indictment of the Participant for, or a plea of guilty or nolo contendere to, any felony or any misdemeanor involving moral turpitude, (iv) willful failure by the Participant to comply in all material respects with the Company's or an Affiliate's code of business conduct which continues beyond fifteen (15) days after written demand for substantial compliance is delivered to the Participant by the Company or an Affiliate, or (v) willful breach by the Participant of any of the material covenants in any employment agreement the Participant may have with the Company or an Affiliate which continues beyond fifteen (15) days after written demand to remedy the breach.

(s) "Good Reason Termination" shall mean a termination of employment by a Participant within ninety (90) days following (in each case without the Participant's written consent): (i) a material diminution in the Participant's duties or responsibilities; (ii) any request that the Participant relocate the Participant's primary place of business more than one hundred (100) miles or (iii) the Company or an Affiliate materially breaches the terms of any employment agreement it has with the Participant; provided that the Company or an Affiliate shall have thirty (30) days after receipt of notice from the Participant in writing specifying the deficiency to cure the deficiency that would result in a Good Reason Termination.

(t) "Involuntary Assignment Event" means the acquisition by the Company or an Affiliate of knowledge of any of the following: (i) any loan to the Participant (other than that evidenced by the Promissory Note) secured by the Shares shall be in default; (ii) the filing by the Participant of any petition or action for relief under any bankruptcy, reorganization, insolvency, or moratorium law, or any law for the relief of, or relating, to debtors; (iii) the expiration of ten (10) days following the filing of an involuntary petition under any bankruptcy statute against the Participant, or the appointment of a custodian, receiver, sequestrator, trustee, assignee for the benefit of creditors, or other similar official to take possession, custody, or control of any of the properties of the Participant, unless such petition or appointment is set aside or withdrawn or ceases to be in effect within ten (10) days from the date of such filing or appointment; (iv) the expiration of ten (10) days following the levy of a writ of execution, attachment, garnishment, or other similar process of law against any of the Shares of the Participant, unless such writ is paid, released, quashed, or bonded within ten (10) days following the date of such levy; or (v) any act, demand, or attempt to realize upon any of the Shares of the Participant as collateral security for any indebtedness or obligation. If the Participant suffers any of such events, the Participant shall have the duty to give prompt notice thereof to the Company or an Affiliate.

(u) "IPO" means the initial underwritten public offering of equity securities of the Company pursuant to an effective registration statement under (i) the Securities Act of 1933, other than pursuant to a registration statement on Form S-4 or Form S-8 or any similar or successor form, (ii) the securities laws of Ontario or any other Canadian province, or (iii) the securities laws of any other country, provided such registration results in the Company's equity securities being traded on an established stock exchanges or national market system.

(v) "Loan Documents" means the Promissory Note and all security agreements, deeds of trust, pledge agreements, assignments, letters of credit, guaranties, certificates and other instruments, documents, and agreements, if any, executed and delivered pursuant to or in connection with the Promissory Note, as such instruments, documents, and agreements may be amended, modified, renewed, extended, or supplemented from time to time.

(w) "Non-Solicitation Agreement" means an ancillary document attached to the Share Purchase Agreement entered into by an Employee and the Company that contains non-solicitation provisions.

(x) "Original Purchase Price" means (i) with respect to a share of Award Stock, (A) if the share has not become vested, zero, and (B) if the share has become vested, the Fair Market Value of the share on its Date of Grant; and (ii) with respect to a Share acquired pursuant to a Share Purchase Agreement, the price paid by a Participant to acquire such share as designated in the relevant Share Purchase Agreement.

(y) "Participant" means any Employee, former Employee or non-employee Director who holds an outstanding Award.

(z) "Person" shall mean an individual, partnership, joint venture, corporation, trust, limited liability company, estate or other entity or organization.

(aa) "Program" means this Houston International Insurance Group, Ltd. 2016 Equity Incentive Program.

(bb) "Promissory Note" means a promissory note executed by a Participant in connection with a Share Purchase Agreement.

(cc) "Restriction Period" means the period of time from the Date of Grant of a Participant's Award Stock Grant through the date the Award Stock becomes vested and, subject to the terms of the Stockholders' Agreement, transferrable.

(dd) "Share" means a share of Common Stock.

(ee) "Share Purchase Right" means the right of a Designated Individual to acquire Shares pursuant to Section 6 of the Program and evidenced by a Share Purchase Agreement (including any ancillary documents attached thereto).

(ff) "Share Purchase Agreement" means an agreement (including any ancillary documents attached thereto), in the form attached as **Exhibit D**, entered into by a Designated Individual and the Company that permits the Designated Individual to acquire a number of Shares at Fair Market Value and receive a matching Award Stock Grant.

(gg) "Stockholders' Agreement" means that certain Amended and Restated Stockholders' Agreement dated as of March 12, 2014, and any subsequent amendments.

(hh) "Termination of Service" shall mean the termination of employment or directorship of a Participant by the Company and all Affiliates. A Participant's service shall not be deemed to have terminated because of a change in the entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant's service. Furthermore, a Participant's service with the Company shall not be deemed to have terminated if the Participant takes any military leave, sick leave, or other bona fide leave of absence approved by the Company or an Affiliate; provided, however, that if any such leave exceeds ninety (90) days, on the ninety-first (91st) day of such leave the Participant's service shall be deemed to have terminated unless the Participant's right to return to service with the Company is guaranteed by statute or contract. Unless the Participant's leave of absence is approved by the Administrator, a Participant's service shall be deemed to have terminated upon the entity for which the Participant performs service ceasing to be an Affiliate (or any successor). Subject to the foregoing, the Company, in its discretion, shall determine whether a Participant's service has terminated and the effective date of such termination.

(ii) "Transfer" shall mean the sale, transfer, gift, conveyance, assignment, pledge, hypothecation, mortgage or other encumbrance or disposition of all or any part of the Shares.

3. ADMINISTRATION

(a) The Committee shall be responsible for the overall administration of the Program. The Committee shall consist of two (2) or more directors of the Company, who shall be appointed by the Board. Unless and until otherwise determined by the Board, the Executive Committee of the Board shall serve as the Committee; provided, however, that Board may serve as the Committee hereunder if the Executive Committee has not been constituted. The Committee shall determine the maximum dollar value of the Company's shares which may be acquired during any calendar year pursuant to either (i) a Share Purchase Right, or (ii) an Award Stock Grant. In addition, the Committee shall make any determination of Fair Market Value under the Program.

(b) The Administrator shall be responsible for the Program's day-to-day administration. Unless otherwise provided in writing by the Committee, the Administrator shall be authorized to take the following actions:

(i) determine the individuals to whom Share Purchase Rights and Award Stock Grants are granted, the amounts of Share Purchase Rights and Award Stock Grants to be granted, and the time of all such grants;

(ii) determine the terms, conditions and provisions of, and restrictions relating to, each Share Purchase Right and Award Stock Grant;

(iii) interpret and construe the Program, all Share Purchase Agreements, and all Award Agreements;

(iv) prescribe, amend and rescind rules and regulations relating to the Program;

(v) determine the content and form of all Share Purchase Agreements and all Award Agreements;

(vi) determine all questions relating to Share Purchase Rights and Award Stock Grants under the Program, including whether any conditions relating to a Share Purchase Right or Award Stock Grant have been met;

(vii) consistent with the Program and with the consent of the Participant, as appropriate, amend any outstanding Share Purchase Agreement or Award Agreement;

(viii) determine the duration and purpose of leaves of absence that may be granted to a Participant without constituting a Termination of Service of the Participant's employment for the purpose of the Program or any Share Purchase Agreement or Award Agreement;

(ix) maintain accounts, records and ledgers relating to Share Purchase Agreements and Award Agreements;

(x) maintain records concerning its decisions and proceedings;

(xi) employ agents, attorneys, accountants or other persons for such purposes as the Committee considers necessary or desirable; and

(xii) do and perform all acts which it may deem necessary or appropriate for the administration of the Program and to carry out the objectives of the Program.

The Administrator's determinations under the Program shall be final and binding on all persons.

(c) Each Award Stock Grant shall be evidenced by an Award Agreement containing such provisions as may be approved by the Administrator. Each Award Agreement shall constitute a binding contract between the Company and the Participant, and every Participant, upon acceptance of the Award Agreement, shall be bound by the terms and restrictions of the Program and the Award Agreement. The terms of each Award Agreement shall be in accordance with the Program, but each Award Agreement may include such additional provisions and restrictions determined by the Administrator, in its discretion, provided that such additional provisions and restrictions are not inconsistent with the terms of the Program. In particular, and at a minimum, the Administrator shall set forth in each Award Agreement (i) the number of Shares subject to the Award Stock Grant; (ii) the expiration date of the Award Stock Grant; (iii) if different from the provisions of Section 7 below, the manner, time, and rate (cumulative or otherwise) of vesting of such Award Stock Grant; and (iv) the restrictions, if any, placed upon such Award Stock Grant.

(d) The Administrator, and any other officers of the Company as shall be designated by the Committee, is hereby authorized to execute Share Purchase Agreements and Award Agreements on behalf of the Company and to cause them to be delivered to the Participants.

(e) The Committee in its sole discretion and on such terms and conditions as it may provide may delegate all or any part of the authority granted under this Section 3 to one or more members of the Board and/or officers of the Company.

(f) The Committee in its sole discretion and on such terms and conditions as it may provide may delegate all authority for: (i) the determination of forms of payment to be made by or received by the Program, and (ii) the execution of any Share Purchase Agreement and Award Agreement. The Committee may rely on the descriptions, representations, reports and estimates provided to it by the management of the Company or an Affiliate for determinations to be made pursuant to the Program.

4. DESIGNATED INDIVIDUALS; TYPES OF AWARDS AND AGREEMENTS

A Designated Individual may enter into a Share Purchase Agreement with the Company to acquire Shares, as described in Section 6 below. In connection with the execution of a Share Purchase Agreement, the Company shall grant a matching Award Stock Grant to the Designated Individual pursuant to an Award Agreement, as described in Section 7 below.

5. STOCK SUBJECT TO THE PROGRAM

The Committee shall designate, annually or at such other times as may be appropriate, the maximum number of Shares reserved for issuance in connection with Awards under the Program during any calendar year. Shares issued under the Program may be either authorized but unissued Shares, authorized Shares previously issued held by the Company in its treasury that have been reacquired by the Company, or, during any period when the Company's common stock is publicly traded, Shares purchased by the Company in the open market.

6. SHARE PURCHASE AGREEMENTS

A Designated Individual who desires to acquire shares of the Company shall be required to enter into a Share Purchase Agreement (including, as applicable, the Promissory Note, Security Agreement-Pledge, Non-Solicitation Agreement and Stock Power) with the Company in the form attached as **Exhibit D**.

(a) Promissory Note. The Promissory Note will require quarterly interest payments to be deducted from a participant's paycheck from the Company. In addition, a participant will be required to make periodic payments on the note in the event, and at such times as, the participant receives a bonus payment from the Company. Unless otherwise designated by the Committee, the terms of the Promissory Note shall require the Company to deduct the lesser of five percent (5%) of the outstanding balance of the Promissory Note or ten percent (10%) of the amount of the bonus payment. Generally, the Company will loan a Designated Individual up to seventy percent (70%) of the purchase price for the shares over a nine (9) year term using a long-term federal interest rate.

(b) Termination of Service. Upon Termination of Service, the Promissory Note shall become due and, to the extent provided in either this Program or a Participant's Share Purchase Agreement, the Participant shall, at the Company's election, be required to sell Shares to the Company pursuant to Section 8 below. If the Participant has an outstanding Promissory Note balance at the time Shares are sold pursuant to this Program or a Share Purchase Agreement, the proceeds from such sale shall be first applied to satisfy the outstanding debt under the Promissory Note, which proceeds shall be applied to the Promissory Note, and any remaining amounts shall be paid to the Participant.

(c) Section 83(b) Election. The provisions of this Section 6 are intended to permit the Company, under certain circumstances, to repurchase Shares for an amount below Fair Market Value. A Designated Individual has the option of filing an election under Code Section 83(b) in the form attached hereto as **Exhibit E** with respect to any shares acquired pursuant to a Share Purchase Agreement.

7. AWARD STOCK GRANTS

A Designated Individual who enters into a Share Purchase Agreement shall be issued an Award Agreement in the form attached as **Exhibit C**. The Award Agreement shall be issued upon such terms and conditions as the Administrator may determine to the extent such terms and conditions are consistent with the following provisions:

(a) Any Award Stock Grant shall be subject to the condition that the Designated Individual must consent to the non-solicitation provisions contained in the Participant's Non-Solicitation Agreement. In the event of a violation of such non-solicitation provisions, the Participant shall forfeit all vested and non-vested shares under the Award Agreement, regardless of whether restrictions have lapsed previously.

(b) Payment of the Award Stock. Award Stock Grants may only be made in whole Shares, rounding to the nearest whole number.

(c) Terms of the Award Stock. The Administrator shall determine the dates on which Award Stock granted to a Participant shall vest and any specific conditions or performance goals which must be satisfied prior to the vesting of any installment or portion of the Award Stock.

(i) Vesting Provisions. Unless otherwise provided in an Award Agreement, each grant of Award Stock Grant shall become vested on the date both the Service Restriction and the Note Payment Restriction have been satisfied:

1. Service Restriction. The Service Restriction shall lapse for one-third (1/3) of the Award Stock Grant for each completed year of service from the participant's date of hire; and

2. Note Payment Restriction. The Note Payment Restriction shall lapse with respect to an equal number of shares when the Company receives a payment on the Promissory Note for the Participant's related purchased shares under the associated Share Purchase Agreement.

(ii) Acceleration of Vesting. Notwithstanding any provision of this Program, and unless otherwise expressly provided in an Award Agreement, a Participant's then outstanding Award Stock shall become one hundred percent (100%) vested on the earliest of:

1. the effective date of an IPO; or

2. the closing date of a Change of Control.

(d) Termination of Service. Unless otherwise determined by the Administrator and evidenced in an applicable Award Agreement or provided in Section 7(c)(ii) above, upon a Participant's Termination of Service for any reason, the Participant's unvested Award Stock as of the date of termination shall be forfeited for no payment and any rights the Participant had to such unvested Award Stock shall become null and void. In addition, if the termination is a voluntary termination after one year of Participant's date of hire or service, any Award Stock which vested due to lapse of the Note Payment Restriction within the six-month period prior to the termination can be forfeited at the Company's election.

(e) Voting of Award Stock. After an Award Stock Grant has been granted, but for which Shares covered by such Award Stock Grant have not yet vested, the Participant shall be entitled to vote such Shares subject to the rules and procedures adopted by the Administrator for this purpose.

(f) Restrictive Legend. Each certificate issued in respect of one or more shares of Award Stock shall be registered in the name of the Participant and, at the discretion of the Administrator, each such certificate may be deposited in a bank designated by the Administrator or held in custody of the Company's Legal Department. Each such certificate shall bear the following (or a similar) legend:

"The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) contained in the Houston International Insurance Group, Ltd. 2016 Equity Incentive Program and an agreement entered into between the registered owner and Houston International Insurance Group, Ltd. A copy of such program and agreement is on file at the principal office of Houston International Insurance Group, Ltd."

(g) Transfers of Unrestricted Shares. Prior to the vesting date for a share of Award Stock, such share shall not be transferrable. Upon the vesting date for a share of Award Stock, such Shares shall be transferrable to the extent provide in Section 11 below.

(h) Section 83(b) Election. The provisions of this Section 7 are intended to permit the Company, under certain circumstances, to repurchase Shares of Award Stock for an amount below Fair Market Value. A Designated Individual has the option of filing an election under Code Section 83(b) in the form attached hereto as **Exhibit E** with respect to any Shares of Award Stock issued under this Section 7.

8. REPURCHASE OPTION

(a) The Company shall have the right and option (but not the obligation) to repurchase some or all of the Shares acquired pursuant to this Program (the "Repurchase Option") from Participant, or Participant's personal representative, as the case may be, during the period or periods (each a "Repurchase Period") designated below:

(i) For any Shares acquired under this Program, the Repurchase Period shall begin on the date of the Participant's Termination of Service and shall end ninety (90) days thereafter;

(ii) Notwithstanding the preceding, if a Participant violates a non-solicitation agreement with the Company, and such violation occurs during the two (2) year period beginning on the Participant's date of termination, then (A) the Repurchase Option shall apply with respect to all of the Participant's Shares of Award Stock, and (B) the Repurchase Period shall begin on the date of the Participant's Termination of Service and shall end on the later of (A) the end of such two (2) year restriction period, or (B) the end of the ninety (90) day period following the date the Company discovers such violation has occurred.

(b) Repurchase Price. The purchase price (the "Repurchase Price") for any Repurchase Shares that the Company elects to purchase pursuant to the exercise of the Repurchase Option shall be:

(i) in the event of a Termination of Service that is not a For Cause Termination or the Participant experiences a Good Reason Termination, the product of (A) Fair Market Value, and (B) the number of Shares purchased pursuant to the Repurchase Option; or

(ii) in the event of a Termination of Service for any reason not described in Section 8(b)(i) above (which shall include occurrence of an Involuntary Assignment Event), the product of (A) the lesser of (1) Fair Market Value, and (2) the Original Purchase Price, and (B) the number of Shares purchased pursuant to the Repurchase Option.

(c) Exercise of Repurchase Option. The Company may exercise its Repurchase Option at any time during the Repurchase Period by delivering, personally or by registered mail or overnight carrier, to the Participant (or Participant's transferee or legal representative, as the case may be) a notice in writing indicating the Company's intention to exercise the Repurchase Option and the number of Repurchase Shares to be transferred pursuant to the exercise of such Repurchase Option, and setting forth a date for closing (1) not earlier than thirty (30) days from the personal delivery or mailing of such notice, and (2) not later than twelve (12) months following the date the Participant experienced a Termination of Service. The closing shall take place at the Company's office or such other place as the parties may mutually agree. At the closing, the holder of the certificates for the Repurchase Shares being transferred shall deliver the stock certificate(s) evidencing such Repurchase Shares, and the Company shall deliver the Repurchase Price therefor. The parties hereto agree that the unpaid principal of, and all accrued and unpaid interest under, any Promissory Note related to the Participant's Share Purchase Agreement shall be automatically offset, to the fullest extent permissible by applicable law, on a dollar-for-dollar basis, against the Repurchase Price to be paid by the Company to the Participant. The parties hereto agree that the amount offset shall be treated as paid by the Company to the Participant and thereafter paid by the Participant to the Company under the Promissory Note, to be applied first to accrued but unpaid interest, and the balance to the principal of the Promissory Note.

(d) Expiration of Repurchase Option. The Repurchase Option shall expire as to any Repurchase Shares that the Company does not elect to purchase within the Repurchase Period.

9. DIVIDENDS AND DIVIDEND EQUIVALENTS

Unless otherwise stated in an Award Agreement, each share of Award Stock shall earn dividends or dividend equivalents. Such dividends or dividend equivalents may be paid currently or may be credited to an account maintained on the books of the Company. Any payment or crediting of dividends or dividend equivalents will be subject to such terms, conditions, limitations and restrictions as the Committee may establish, from time to time, including, without limitation, reinvestment in additional shares of Common Stock or common share equivalents. Dividend or dividend equivalent rights shall be as specified in the Award Agreement, or pursuant to a resolution adopted by the Committee with respect to outstanding Awards.

10. RIGHTS OF PARTICIPANTS

Unless expressly provided in this Program or an Award Agreement or a Share Purchase Agreement, a Participant shall have any and all rights of a stockholder with respect to any Shares acquired pursuant to this Program. Nothing contained in this Program, any Award Agreement, or any Share Purchase Agreement confers on any person any right to continue in the employ or service of the Company or an Affiliate or interferes in any way with the right of the Company or an Affiliate to terminate a Participant's services.

11. TRANSFERABILITY OF SHARES

(a) Notwithstanding any provision of this Program or any other agreement, all Transfers of Shares must be in compliance with the restrictions of the Stockholders' Agreement. In addition, no Shares acquired pursuant to this Program may be Transferred without the written approval of the Company prior to the earlier of a Change of Control or an IPO. Any attempted Transfer of any Shares in breach of this Program or the Stockholders' Agreement shall be null and void and of no effect whatsoever.

(b) Upon a Change of Control, Shares acquired pursuant to this Program may only be Transferred if the following conditions are met: (i) within two years of the date of the Change in Control, the Participant may only Transfer up to that portion of the Shares for which he/she receives consideration equal to the sum of (A) the full amount of principal and accrued interest then due under the Promissory Note, and (B) any taxes the Participant is required to pay with respect to the Shares; and (ii) all Transfers must be in transactions registered under the Securities Act of 1933 or in transactions exempt from such registration.

(c) Upon an IPO, Shares acquired pursuant to this Program may only be Transferred if the following conditions are met: (i) within two years of the date of the IPO, the Participant may only Transfer up to that portion of the Shares for which he receives consideration equal to the sum of (A) the full amount of principal and accrued interest then due under the Promissory Note, and (B) any taxes the Participant is required to pay with respect to the Shares; (ii) all Transfers must be in transactions registered under the Securities Act of 1933 or in transactions exempt from such registration; and (iii) to the extent the Company has agreed to restrict transfers of the Shares in connection with the IPO pursuant to a "lock-up agreement" or similar arrangement, the terms of such agreement have been satisfied. Notwithstanding the preceding, the Company may, within 30 days prior to the date of the IPO, make an offer to Participant to repurchase any or all of Participant's Shares for an amount equal to the per Share price to be paid in the IPO, provided the Participant shall be given at least 10 days to consider such offer.

(d) If Participant shall become entitled to receive or shall receive any stock certificate (including, without limitation, any certificate representing a distribution in connection with any reclassification, increase, or reduction of equity or issued in connection with any reorganization), option or rights, share dividend, restricted share grant, or other issuance of equity in the Company from and after the date such Shares are acquired, whether as an addition to, in substitution of, or in exchange for any Shares or otherwise, Participant agrees that such distribution shall be subject to the terms of this Program; and in case any distribution of stock shall be made on or in respect of the Shares pursuant to any recapitalization or reclassification of the equity of the issuer thereof or pursuant to any reorganization of the issuer thereof, the stock so distributed shall be subject to the terms hereof.

12. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION OR A CHANGE OF CONTROL

(a) Adjustment Clause. In the event of any change in the outstanding shares of Common Stock of the Company by reason of any stock dividend, split, spinoff, recapitalization, merger, consolidation, combination, extraordinary dividend, exchange of shares or other change affecting the outstanding shares of Common Stock as a class without the Company's receipt of consideration, or other equity restructuring within the meaning of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718, Stock Compensation (formerly, FASB Statement 123R), appropriate adjustments shall be made to (i) the aggregate number of Shares with respect to which awards may be made under the Program pursuant to Section 5; (ii) the terms and the number of Shares of any outstanding Award Stock; and (iii) the share limitations which may be made under the Program pursuant to Section 5. The Committee shall also make appropriate adjustments described in (i)-(iii) of the previous sentence in the event of any distribution of assets to stockholders other than a normal cash dividend. Adjustments, if any, and any determination or interpretations, made by the Committee shall be final, binding and conclusive. Conversion of any convertible securities of the Company shall be deemed to have been effected for adequate consideration. Except as expressly provided herein, no issuance by the Company of shares of any class or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an Award Stock Grant.

(b) Section 409A Provisions with Respect to Adjustments. Notwithstanding the foregoing: (i) any adjustments made pursuant to this Section to Awards that are considered "deferred compensation" within the meaning of Code Section 409A shall be made in compliance with the requirements of Code Section 409A unless the Participant consents otherwise; (ii) any adjustments made to Awards that are not considered "deferred compensation" subject to Code Section 409A shall be made in such a manner as to ensure that after such adjustment, the Awards either continue not to be subject to Code Section 409A or comply with the requirements of Code Section 409A unless the Participant consents otherwise; and (iii) the Committee shall not have the authority to make any adjustments under this Section to the extent that the existence of such authority would cause an Award Stock Grant that is not intended to be subject to Code Section 409A to be subject thereto.

13. TAX WITHHOLDING

Participant shall pay to the Company promptly upon request, and in any event at the time the Participant recognizes taxable income in respect of the Shares issued pursuant to an Award Stock Grant (or, if Participant makes an election under Code Section 83(b) in connection with such grant), an amount sufficient to satisfy all federal, state, and local withholding taxes the Company determines it is required to withhold under applicable tax laws with respect to the Shares. The minimum withholding of such sums come from cash payment by the Participant, compensation otherwise due to the Participant or from any Shares due to the Participant under this Program, or any combination of the foregoing, provided that the amount to be withheld may not exceed the total minimum federal, state and local tax withholding obligations associated with the transaction to the extent needed for the Company to avoid an accounting charge.

14. CLAWBACK/RECOVERY

The Company may recover the value of any Award under this Program if the Participant violates the terms of a non-solicitation agreement. In addition, all Awards granted under the Program will be subject to recoupment in accordance with any written claw back policy that the Company may adopt, whether such policy is specifically required to be adopted pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed, is otherwise specifically required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law, or is adopted at the Board's discretion. In addition, the Administrator may impose such other clawback, recovery or recoupment provisions in an Award Agreement as the Administrator determines necessary or appropriate, including, but not limited to, a reacquisition right in respect of previously acquired shares of Stock or other cash or property upon the occurrence of Cause.

15. AMENDMENT OF THE PROGRAM AND AWARDS

(a) The Board may at any time, and from time to time, modify or amend the Program in any respect, prospectively or retroactively. No such termination, modification or amendment may materially adversely affect the rights of a Participant under an outstanding Award Stock Grant without the written permission of such Participant.

(b) The Administrator may amend any Award Agreement, prospectively or retroactively; provided, however, that no such amendment shall adversely affect the rights of any Participant under an outstanding Award Stock Grant without the written consent of such Participant, nor shall such amendment have any tax, accounting or regulatory effect.

16. RIGHT OF OFFSET

The Company will have the right to offset against its obligation to deliver shares of Common Stock (or other property) under the Program or any Award Agreement any outstanding amounts (including, without limitation, documented travel and entertainment or advance account balances, loans, repayment obligations under any Awards, or amounts repayable to the Company pursuant to tax equalization, housing, automobile or other employee programs) that the Participant then owes to the Company on a past due basis, and any amounts the Committee otherwise deems appropriate pursuant to any tax equalization policy or agreement; provided, however, that no such offset shall be permitted if it would constitute an "acceleration" of a payment hereunder within the meaning of Code Section 409A. This right of offset shall not be an exclusive remedy and the Company's election not to exercise the right of offset with respect to any amount payable to a Participant shall not constitute a waiver of this right of offset with respect to any other amount payable to the Participant or any other remedy.

17. NOTICES; ELECTRONIC DELIVERY AND SIGNATURES

(a) Every notice or other communication relating to this Program shall be in writing, and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by him in a notice mailed or delivered to the other party. Unless and until some other address is so designated, all notices or communications by Participant to the Company shall be mailed or delivered to the Company at 800 Gessner, Suite 600, Houston, Texas 77024, Attention: Legal Department, and all notices or communications by the Company to Participant shall be mailed or delivered to Participant's address specified in the Company's records.

(b) Any reference in a Share Purchase Agreement, Award Agreement, or the Program to a written document includes without limitation any document delivered electronically or posted on the Company's or an Affiliate's intranet or other shared electronic medium controlled by the Company or an Affiliate.

(c) The Committee and any Participant may use facsimile and PDF signatures in signing any Share Purchase Agreement (including any ancillary documents attached thereto), Award Agreement (including any ancillary documents attached thereto), or in any other written document in the Program's administration. The Committee and each Participant are bound by facsimile and PDF signatures, and acknowledge that the other party relies on facsimile and PDF signatures.

18. EFFECTIVE DATE OF PLAN

The Program shall become effective immediately upon the Effective Date.

19. TERMINATION OF THE PROGRAM

The right to grant Awards under the Program will terminate 10 years after the earlier of: (i) the date the Program is adopted by the Board; or (ii) the Effective Date. The Board has the right to suspend or terminate the Program at any time, provided that no such action will, without the consent of a Participant, adversely affect a Participant's rights under an outstanding Award.

20. APPLICABLE LAW; COMPLIANCE WITH LAWS; VENUE

(a) The Program will be administered in accordance with the laws of the state of Texas and applicable federal law. Notwithstanding any other provision of the Program, the Company shall have no liability to issue any Shares under the Program unless such issuance would comply with all applicable laws and the applicable requirements of any securities exchange or similar entity. Prior to the issuance of any Shares under the Program, the Company may require a written statement that the recipient is acquiring the shares for investment and not for the purpose or with the intention of distributing the shares.

(b) To the maximum extent practicable, to the extent any action taken with respect to this Program calls for performance, such action shall be performed at the offices of the Company in Houston, Harris County, Texas and venue for any dispute arising with respect to the Program shall lie exclusively in the state and/or federal courts of Harris County, Texas and the Southern District of Texas, Houston Division, respectively.

21. PROHIBITION ON DEFERRED COMPENSATION

It is the intention of the Company that the Award Stock Grants granted under the Program are considered a transfer of property for purposes of Code Section 83. In accordance with Treasury Regulation Section 1.83-3(a)(2), the Committee shall require all Award Stock Grants that are secured by indebtedness to require personal liability to pay all or a substantial part of such indebtedness. Accordingly, no Award Stock Grant shall be "deferred compensation" subject to Code Section 409A and the Program and the terms and conditions of all Award Stock Grants shall be interpreted accordingly. Notwithstanding any provision herein to the contrary, any Award Stock Grant issued under the Program that is determined by the Committee to constitute a deferral of compensation under a "nonqualified deferred compensation plan" as defined under Code Section 409A(d)(1) shall be modified or cancelled to comply with the requirements of Code Section 409A, including any rules for elective or mandatory deferral of the delivery of Shares pursuant thereto.

22. NO GUARANTEE OF TAX TREATMENT

Notwithstanding anything herein to the contrary, a Participant shall be solely responsible for the taxes relating to the grant or vesting of, or payment pursuant to, any Award, and none of the Company, the Board or the Committee (or any of their respective members, officers or employees) guarantees any particular tax treatment with respect to any Award.

Exhibit A

Stockholders' Agreement

Exhibit B

JOINDER AGREEMENT

This Joinder Agreement (this "Agreement") is entered into by _____ ("Stockholder") in favor of HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation (the "Corporation"), and the stockholders of the Company as follows:

In consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration, including without limitation the issuance of shares in the Company to Stockholder, the receipt and sufficiency of which are hereby acknowledged, Stockholder agrees to be bound by, and that all shares of Stockholder's stock in the Company shall be subject to, that certain Amended and Restated Stockholders' Agreement dated as of March 12, 2014 among the Company and its stockholders (the "Stockholders' Agreement"). Stockholder further agrees that all certificates evidencing shares of stock in the Company issued to Stockholder may be endorsed with a conspicuous legend referencing the Stockholders' Agreement.

DATED: _____, 201____.

Exhibit C

Award Agreement

Exhibit D

Share Purchase Agreement

Exhibit E

Sample 83(b) Election

[Participant's letterhead]

_____, [201__]

Houston International Insurance Group, Ltd.
800 Gessner, Suite 600
Houston, TX 77024
Attn: Legal Department

Re: Receipt of Incentive Units in Houston International Insurance Group, Ltd.

As required under Treasury Regulation Section 1.83-2(d), I am enclosing the statement, a copy of which will be filed with the Internal Revenue Service, prepared in connection with my election under Section 83(b) of the Internal Revenue Code of 1986, as amended, and Treasury Regulation Section 1.83-2, regarding the _____ Incentive Units in Houston International Insurance Group, Ltd. that I received on _____.

Sincerely,

[Participant]

Enclosure

[Participant letterhead]

_____, [201__]

Via Certified Mail/
Return Receipt Requested

[Internal Revenue Service Center
Austin, TX 73301-0002][1]

Re: 83(b) Election of [Participant] (SSN# _____)

Dear Madam or Sir:

Enclosed for filing is an executed copy of an 83(b) election (the "Election").

Please do not hesitate to contact me should you require additional information regarding the Election.

Sincerely,

[Participant]

Enclosure

[1] NTD: This is based on where the tax return is filed. This form assumes residence in Texas based on 2015 filing rules.

Election Under Section 83(b) of the
Internal Revenue Code of 1986

(To Be Filed No Later Than 30 Days Following the Property
Transfer Date With the Internal Revenue Office With Which
the Person Rendering Services Files His or Her Income Tax Return)

The undersigned hereby makes the election under Section 83(b) of the Internal Revenue Code of 1986 with respect to the property described below and supplies the following information in accordance with the regulations promulgated thereunder:

1. **The name, address and taxpayer identification number of the undersigned are as follows:**

   Name: [Participant]

   Address: [Participant's Home Address].

   Social Security No.: _____.

2. **The description of the property with respect to which the election is made is as follows**:

   Shares in Houston International Insurance Group, Ltd., a Delaware corporation (the "Company"), designated as _____ Incentive Units.

3. **The date on which the property was transferred is the following:**

   _____, [201__].

   The taxable year to which this election relates is the following:

   Calendar year [201__].

4. **The nature of the restrictions to which the property is subject is the following:**

   [Insert vesting schedule/rules]

5. **Fair Market Value of Property at Time of Transfer**:

   The fair market value of the taxpayer's _____ Incentive Units is [$0.00][$_____]. The fair market value at the time of transfer was determined without regard to any lapse restrictions as defined in Section 1.83-3(i) of the Treasury Regulations.

6. **Amount Paid for Property**:

   The taxpayer paid [$0.00][$_____] for the _____ Incentive Units. The property was transferred to the taxpayer as consideration for services rendered, or to be rendered.

7. **Copies of Election**:

   In accordance with Section 1.83-2(d) of the Treasury Regulations, a copy of this election has been furnished to the person for whom the services are performed and to the recipient of the transferred property where that recipient is not the same person as the taxpayer performing the services.

Dated: _____, [201__]

_____

[Participant]

Exhibit F

STOCK POWER

FOR VALUE RECEIVED, the receipt and sufficiency of which are hereby acknowledged, _____ hereby conveys, assigns, and transfers to Houston International Insurance Group, Ltd. (the "Company") _____ shares of the common stock of the Company, now registered in the name of _____ on the books of the Company, and being represented by Certificate No. _____. _____ hereby appoints the Company agent to transfer the aforesaid stock on the books of the Company.

EXECUTED the __ day of _____, 201_.

_____

_____

NOTE: YOU HAVE UNTIL [●] TO SIGN THESE AGREEMENTS AND TENDER THE AMOUNT OF MONEY SPECIFIED IN PARAGRAPH 2 BELOW. IF YOU FAIL TO DO SO, THIS OFFER WILL BE REVOKED AND WILL BE VOID.

SHARE PURCHASE AGREEMENT

This SHARE PURCHASE AGREEMENT (this "Agreement") is entered into as of the __ day of _____, 201_ (the "Purchase Date"), by and between HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation (the "Company"), and _____ ("Participant") and is made pursuant to the Houston International Insurance Group, Ltd. 2016 Equity Incentive Program (the "Program"), a copy of which is attached as Exhibit A. Any capitalized term not defined in this Agreement shall have the definition provided by the Program.

In consideration of the premises and the mutual covenants herein contained and other good and valuable consideration, the parties hereto agree as follows:

1. **Purchase.** As of the date hereof, subject to the terms and conditions of this Agreement and the Program, the Company hereby sells and conveys to Participant, and Participant hereby purchases from the Company, _____ shares of common stock of the Company (the "Shares") on the date hereof.

2. **Purchase Price.** The purchase price for the Shares shall be $_____, which represents the Fair Market Value of such Shares, _____ [not less than 30%] of which shall be paid in the form of immediately available funds at closing, and the remaining ____% of which shall be payable over approximately nine (9) years pursuant to a promissory note in the form attached hereto as Exhibit B (the "Note"). The Note shall be secured by a security interest in the Shares pursuant to a Security Agreement-Pledge in the form attached hereto as Exhibit C (the "Security Agreement"). In addition, the Participant shall execute and be subject to the Non-Solicitation Agreement attached hereto as Exhibit D (the "Non-Solicitation Agreement") and the Stock Power attached hereto as Exhibit E (the "Stock Power").

3. **Representations and Warranties.** Participant hereby represents and warrants to the Company that the following statements are true:

(i) **Access.** Participant acknowledges the receipt of such information regarding the Company and the Shares that Participant has requested and that Participant, or Participant's representative, has thoroughly read and evaluated and understands the same and understands the nature of the risks involved in investment in the Shares. Participant acknowledges that Participant has received no representations or warranties from the Company or its employees or agents. Further, Participant has been advised that the Company is available to answer questions about the Company or Participant's acquisition of Shares, and Participant has asked the Company such questions in this regard as Participant has deemed appropriate and has received satisfactory answers from the Company to all such questions.

(ii) **Sophistication.** Participant is experienced and knowledgeable in business and financial matters in general and with respect to investments similar to an investment in the Shares in particular, and is capable of evaluating the merits and risks of acquiring Shares. Further, Participant has sought and obtained such advice that Participant has deemed necessary with respect to the merits and risks of acquiring Shares, and Participant has made its own independent decision with respect to acquiring Shares.

(iii) **Risk of Loss; Ability to Bear Economic Loss.** Participant recognizes that the Company has limited financial and operating history and that the Company is a speculative venture involving a high degree of risk of loss. Participant can afford to bear the economic risks of investment in the Shares, including the risk of losing the entire investment. Participant has adequate means of providing for his/her current financial needs and possible personal contingencies, exclusive of his/her investment in the Shares.

(iv) **No Registration of Shares.** Participant understands that neither the Company nor the Shares have been registered under the Securities Act of 1933 or any state securities laws in reliance upon exemptions therefrom, that the Shares may not be resold unless registered under the Securities Act of 1993 and applicable states securities laws or unless an exemption from registration is available, and that no state or federal governmental authority has made any finding or determination relating to the fairness of an acquisition of Shares and that no state or federal governmental authority has recommended or endorsed, or will recommend or endorse, the acquisition of Shares.

(v) **Lack of Market.** Participant recognizes that there is no market for the Shares and that it is unlikely that any such market for the Shares will develop in the foreseeable future, and that Participant cannot expect to be able readily to liquidate the Shares in case of emergency, or to pledge the Shares to secure borrowed funds.

(vi) **Investment Intent.** Participant is acquiring the Shares for his/her own account and not for the account of others, and is not acquiring the Shares for the purpose of reselling, transferring, or subdividing, or otherwise disposing of or hypothecating all or any portion of the Shares, and Participant does not presently have any reason to anticipate any change in circumstances or other occasion or event that would necessitate that Participant sell the Shares.

4. **Limitation on Transfers of Shares.** Participant acknowledges and agrees that in addition to the limitations on transfers of Shares outlined in Section 3(iv) above, and the transfer restrictions contained in the Program, the Shares also shall be subject to the Stockholders' Agreement. Participant agrees that a legend may be placed on any certificate(s) or other document(s) evidencing the Shares reflecting such restrictions on transfer of the Shares.

5. **Section 83(b) Election**. Participant shall be responsible for his/her own tax liability that arises as the result of this Agreement. Participant acknowledges and understands that the repurchase conditions contained in the Program may cause any Shares acquired pursuant to this Agreement to be subject to Code Section 83 and that Participant may make an election under Code Section 83(b) within 30 days after the date such Shares are acquired.

6. **Indemnification.** Participant hereby agrees to indemnify and hold harmless the Company from and against any and all claims, expenses (including attorneys' fees), loss, damage, or actions resulting from the breach or falsity of any of the representations, warranties, or covenants contained herein.

7. **Survival.** The foregoing representations and warranties and covenants shall survive the acquisition of the Shares.

8. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the state of Texas without regard to the conflicts of laws principles thereof.

9. **Successors and Assigns.** This Agreement shall inure to the benefit of and be binding upon the heirs, legal representatives, successors, and assigns of each of the parties.

10. **Entire Agreement.** The Program, this Agreement, the Stockholders' Agreement, the Note, the Security Agreement, the Non-Solicitation Agreement and that certain Award Stock Grant Agreement of even date herewith between the Company and Participant and other ancillary documents related thereto constitute the entire agreement of the parties, and supersede all prior agreements, understandings, or documents, with respect to the subject matter hereof.

11. **Amendment.** No provision of this Agreement may be amended, waived, changed, or modified except by an agreement in writing signed by Participant and the Company, or in the case of a waiver, by the party waiving compliance.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in multiple originals effective as of the date first set forth above.

COMPANY:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.,
a Delaware corporation

By: _____
[●], [●]

PARTICIPANT:

_____

_____

Address:

EXHIBIT A

2016 EQUITY INCENTIVE PROGRAM

See attached.

EXHIBIT B

FORM OF PROMISSORY NOTE

See attached.

EXHIBIT C

FORM OF SECURITY AGREEMENT-PLEDGE

See attached.

EXHIBIT D

FORM OF NON-SOLICITATION AGREEMENT

See attached.

EXHIBIT E

FORM OF STOCK POWER

See attached.

PROMISSORY NOTE

$_____.00 _____, 201___

Houston, Texas

FOR VALUE RECEIVED, the undersigned, _____ ("Participant"), hereby promises to pay to the order of HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation ("Company"), at its designated office, in lawful money of the United States of America, the principal sum of _____ AND NO/100 DOLLARS ($_____.00), together with interest thereon at the rate set forth below. This Note is being issued in connection with a purchase of Shares pursuant to the Houston International Insurance Group, Ltd. 2016 Equity Incentive Program (the "Program") and any capitalized term not defined in this Note shall have the definition provided by the Program.

The outstanding principal balance hereof shall bear interest prior to maturity at a fixed rate per annum equal to the lesser of (a) the Maximum Rate, or (b) _____ percent (__%) per annum. If an Event of Default has occurred and is existing, the principal hereof shall bear interest at the Default Rate. Interest on the indebtedness evidenced by this Note shall be computed on the basis of a year of 365 or 366 days, as the case may be, and the actual number of days elapsed (including the first day but excluding the last day).

Quarterly installments of accrued but unpaid interest on this Note shall be due and payable on the last Business Day of each calendar quarter, commencing with _____ __, 201_. Principal in the amount of the lesser of (i) 5% of the outstanding balance on the Note as of December 31st; or (ii) ten percent (10%) of the amount of the net of all cash bonuses or incentive payments received by Participant during the calendar year from Company or any subsidiary of or successor to Company shall be due and payable on or before December 31 of each year through and including _____ __, 20__; provided that if Participant has executed any other notes pursuant to the Company's 2016 Equity Incentive Program, any Principal payments from bonuses shall be deducted only one time and attributed to all outstanding notes pro-rata. All outstanding principal of this Note and all accrued but unpaid interest on this Note shall be due and payable on _____ __, 20__.

Participant may prepay this Note at any time without premium or penalty, provided that all such prepayments shall be applied first to interest and then to the principal payments due hereon in inverse order of their maturities.

Upon any distribution or payment (collectively "Distributions") to Participant by, or with respect to the interest of Participant in the Collateral (as such term is defined in the Security Agreement), a mandatory prepayment of outstanding principal and accrued interest on this Note shall be immediately due and payable in the amount of such Distribution; provided, however, that if any other note executed by Participant and payable to the order of Company includes a similar mandatory prepayment provision, then such Distributions shall first be applied to this Note until principal and accrued interest herein is paid in full and then to such other notes, except that Distributions for all notes for the purchase of stock under the Program or any other equity purchase arrangement shall be applied pro-rata to all such notes.

This Note is secured as provided in the Security Agreement.

As used in this Note, the following terms shall have the respective meanings indicated below:

"Business Day" means a day on which Frost Bank is open in Houston, Texas.

"Default Rate" means the lesser of (a) twelve percent (12%) per annum, or (b) the Maximum Rate.

"Event of Default" each of the following shall constitute and be deemed an "Event of Default":

a) Participant shall fail to pay this Note or any installment of this Note, whether principal or interest, on the date when due.

b) Participant shall for any reason cease to be an employee of Company or any of its direct or indirect subsidiaries.

c) Any representation or warranty made or deemed made by Participant in any certificate, report, notice, or financial statement furnished at any time in connection with this Note or any Loan Document shall be false, misleading, or erroneous in any material respect when made or deemed to have been made.

d) Participant shall fail to perform, observe, or comply with any covenant, agreement or term contained in this Note or any Loan Document for a period of ten (10) days following the date on which Company gives Participant notice of such failure.

e) Participant shall commence a voluntary proceeding seeking liquidation, reorganization, or other relief with respect to himself or his/her debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of Participant or a substantial part of his/her property or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against him or shall make a general assignment for the benefit of creditors or shall generally fail to pay his/her debts as they become due or shall take any action to authorize any of the foregoing.

f) An involuntary proceeding shall be commenced against Participant seeking liquidation, reorganization, or other relief with respect to Participant or his/her debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for Participant or a substantial part of his/her property, and such involuntary proceeding shall remain undismissed and unstayed for a period of thirty (30) days.

g) This Note or any other Loan Document shall cease to be in full force and effect or shall be declared null and void or the validity or enforceability thereof shall be contested or challenged by Participant, or Participant shall deny that it has any further liability or obligation hereunder prior to payment in full of all obligations hereunder, or the security interest created by the Security Agreement shall cease to be a first priority security interest.

h) Participant shall sell or transfer the securities described in the Security Agreement.

i) Participant breaches his/her obligations under Section 1.1 of that certain Non-Solicitation Agreement between Participant and Company of even date herewith.

j) Company or one of its subsidiaries completes an IPO while Participant remains an employee or director, provided that the default shall not occur until the date that some or all of the Share become transferrable under the Program's terms.

"Loan Documents" means this Note and all security agreements, deeds of trust, pledge agreements, assignments, letters of credit, guaranties, certificates and other instruments, documents, and agreements, if any, executed and delivered pursuant to or in connection with this Note, as such instruments, documents, and agreements may be amended, modified, renewed, extended, or supplemented from time to time.

"Maximum Rate" means the maximum rate of nonusurious interest permitted from day to day by applicable law, including Chapter 303 of the Texas Finance Code (the "Code") (and as the same may be incorporated by reference in other Texas statutes). To the extent that Chapter 303 of the Code is relevant to any holder of this Note for the purposes of determining the Maximum Rate, each such holder elects to determine such applicable legal rate pursuant to the "weekly ceiling," from time to time in effect, as referred to and defined in Chapter 303 of the Code; subject, however, to the limitations on such applicable ceiling referred to and defined in the Code, and further subject to any right such holder may have subsequently, under applicable law, to change the method of determining the Maximum Rate.

"Obligations" means all obligations, indebtedness, and liabilities of Participant to Company, now existing or hereafter arising, including, without limitation, the obligations, indebtedness, and liabilities of Participant under this Note (including the payment of principal and interest hereon) and the other Loan Documents and all interest accruing thereon and all attorneys' fees and other expenses incurred in the enforcement or collection thereof.

"Security Agreement" means the Security Agreement-Pledge dated of even date herewith, executed by Participant for the benefit of Company, as the same may be amended, supplemented, or modified from to time.

The proceeds of this Note shall be used solely for business purposes and this Note was not entered into as a consumer-goods transaction or a consumer transaction.

Participant agrees with Company that Participant will execute and deliver such further instruments as may be requested by Company to carry out the provisions and purposes of this Note and the other Loan Documents and to preserve and perfect the liens of Company in the collateral for this Note.

All notices and other communications provided for in this Note and the other Loan Documents shall be in writing mailed by certified mail return receipt requested, or delivered to the intended recipient at the addresses specified below or at such other address as shall be designated by any party listed below in a notice to the other parties listed below given in accordance with this paragraph.

If to Participant: As specified on Signature Page

If to Company: Houston International Insurance Group, Ltd.
800 Gessner, Suite 600
Houston, Texas 77024
Attn: Legal Department

Except as otherwise provided in this Note or any Loan Document, all such communications shall be deemed to have been duly given, when personally delivered or, in the case of a mailed notice, when duly deposited in overnight mail, in each case given or addressed as aforesaid.

Notwithstanding anything to the contrary contained herein, no provisions of this Note shall require the payment or permit the collection of interest in excess of the Maximum Rate. If any excess of interest in such respect is herein provided for, or shall be adjudicated to be so provided, in this Note or otherwise in connection with this loan transaction, the provisions of this paragraph shall govern and prevail, and neither Participant nor the sureties, guarantors, successors or assigns of Participant shall be obligated to pay the excess amount of such interest, or any other excess sum paid for the use, forbearance or detention of sums loaned pursuant hereto. If for any reason interest in excess of the Maximum Rate shall be deemed charged, required or permitted by any court of competent jurisdiction, any such excess shall be applied as a payment and reduction of the principal of indebtedness evidenced by this Note; and, if the principal amount hereof has been paid in full, any remaining excess shall forthwith be paid to Participant. In determining whether or not the interest paid or payable exceeds the Maximum Rate, Participant and Company shall, to the extent permitted by applicable law, (i) characterize any non-principal payment as an expense, fee, or premium rather than as interest, (ii) exclude voluntary prepayments and the effects thereof, and (iii) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the entire contemplated term of the indebtedness evidenced by this Note so that the interest for the entire term does not exceed the Maximum Rate.

Upon the occurrence of any Event of Default, the holder hereof may, at its option, (i) declare the entire unpaid principal of and accrued interest on this Note immediately due and payable without notice, demand or presentment, all of which are hereby waived, and upon such declaration, the same shall become and shall be immediately due and payable, (ii) foreclose the security interests created by the Security Agreement or any other Loan Document, (iii) offset against this Note any sum or sums owed by the holder hereof to Participant, and (iv) take any and all other actions available to Company under this Note, at law, in equity or otherwise. Failure of the holder hereof to exercise any of the foregoing options shall not constitute a waiver of the right to exercise the same upon the occurrence of a subsequent Event of Default.

In the event that any amount payable under this Agreement is treated as "nonqualified deferred compensation" for purposes of Section 409A of the Internal Revenue Code of 1986, as amended ("Code Section 409A"), this Agreement shall be construed in such a manner so as to comply with the requirements of Code Section 409A. If any provision of this Agreement would cause Participant to occur any additional tax under Code Section 409A, the parties will in good faith attempt to reform the provision in a manner that maintains, to the extent possible, the original intent of the applicable provision without violating the provisions of Code Section 409A. Participant shall be solely responsible for any taxes, interests or penalties that Participant may incur under Code Section 409A.

If the holder hereof expends any effort in any attempt to enforce payment of all or any part or installment of any sum due the holder hereunder, or if this Note is placed in the hands of an attorney for collection, or if it is collected through any legal proceedings, Participant agrees to pay all costs, expenses, and fees incurred by the holder, including all reasonable attorneys' fees.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS AND THE APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. THIS NOTE IS PERFORMABLE IN HARRIS COUNTY, TEXAS.

Participant and each surety, guarantor, endorser, and other party ever liable for payment of any sums of money payable on this Note jointly and severally waive notice, presentment, demand for payment, protest, notice of protest and non-payment or dishonor, notice of acceleration, notice of intent to accelerate, notice of intent to demand, diligence in collecting, grace, and all other formalities of any kind, and consent to all extensions without notice for any period or periods of time and partial payments, before or after maturity, and any impairment of any collateral securing this Note, all without prejudice to the holder. The holder shall similarly have the right to deal in any way, at any time, with one or more of the foregoing parties without notice to any other party, and to grant any such party any extensions of time for payment of any of said indebtedness, or to release or substitute part or all of the collateral securing this Note, or to grant any other indulgences or forbearances whatsoever, without notice to any other party and without in any way affecting the personal liability of any party hereunder.

THIS NOTE, AND THE OTHER LOAN DOCUMENTS REFERRED TO HEREIN EMBODY THE FINAL, ENTIRE AGREEMENT BETWEEN PARTICIPANT AND COMPANY WITH RESPECT TO THE SUBJECT MATTER HEREOF AND THEREOF AND SUPERSEDE ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS, AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF PARTICIPANT AND COMPANY. THERE ARE NO ORAL AGREEMENTS BETWEEN PARTICIPANT AND COMPANY.

Address:

SECURITY AGREEMENT-PLEDGE

This SECURITY AGREEMENT-PLEDGE (the "Agreement") is entered into effective as of the __ day of _____, 201_, by and between _____ ("Participant") and HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation ("the Company" or "Secured Party"). This Agreement is being executed in connection with a purchase of Shares pursuant to the Houston International Insurance Group, Ltd. 2016 Equity Incentive Program (the "Program") and any capitalized term not defined in this Agreement shall have the definition provided by the Program.

In consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

SECURITY INTEREST AND PLEDGE

Section 1.1. **Security Interest and Pledge**. The Secured Party has extended a loan to Participant in the principal amount of $_____.00 (the "Loan"). As a condition to obtaining the Loan, Participant hereby pledges and grants to Secured Party a first priority security interest in the following property (such property being hereinafter sometimes called the "Collateral"):

(a) All of Participant's shares of common stock in Secured Party, whether held as of the date hereof or thereafter acquired; and

(b) all products and proceeds of the foregoing shares, now owned or hereafter acquired, including, without limitation, all financial assets, investment securities, investment property, cash, deposit accounts, letter of credit rights, electronic chattel paper, supporting obligations, and payment intangibles, monies, payments, revenues, distributions, dividends, stock dividends, securities, financial assets, security entitlements, substitutions and other property rights and interests related to or arising from the foregoing or that Participant is at any time entitled to receive on account of the foregoing.

All terms used in this Agreement that are defined in the Uniform Commercial Code as adopted in the State of Texas shall have the meanings specified in the Uniform Commercial Code as adopted by the State of Texas as in effect from time to time (the "UCC").

Section 1.2. **Obligations**. The Collateral shall secure the following obligations, indebtedness, and liabilities (all such obligations, indebtedness, and liabilities being hereinafter sometimes called the "Obligations"):

(a) the Obligations under the Note (as the same may be renewed, extended, restated and/or supplemented from time to time);

(b) all future advances by Secured Party to Participant;

(c) all costs and expenses, including, without limitation, all attorneys' fees and legal expenses, incurred by Secured Party to preserve and maintain the Collateral, collect the Obligations herein described, and enforce this Agreement;

(d) all other obligations, indebtedness, and liabilities of Participant to Secured Party, now existing or hereafter arising, regardless of whether such obligations, indebtedness, and liabilities are similar, dissimilar, related, unrelated, direct, indirect, fixed, contingent, primary, secondary, joint, several, or joint and several; and

(e) all extensions, renewals, and modifications of any of the foregoing and all promissory notes given in renewal, extension or modification of any of the foregoing.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

To induce Secured Party to enter into this Agreement and advance funds under the Note, Participant represents and warrants to Secured Party that:

Section 2.1. **Title**. Participant owns, and with respect to Collateral acquired after the date hereof, Participant will own, legally and beneficially, the Collateral free and clear of any lien, security interest, pledge, claim, or other encumbrance or any right or option on the part of any third person to purchase or otherwise acquire the Collateral or any part thereof, except for the security interest granted hereunder. The Collateral is not subject to any restriction on transfer or assignment except for (i) compliance with applicable federal and state securities laws and regulations promulgated thereunder, (ii) the Stockholders' Agreement, (iii) that certain Non-Solicitation Agreement between Participant and the Secured Party dated of even date herewith, and (iv) that certain Award Stock Grant Agreement between Participant and the Secured Party dated of even date herewith. Participant has the unrestricted right to pledge the Collateral as contemplated hereby. All of the Collateral has been duly and validly issued and is fully paid and nonassessable.

Section 2.2. **Participant's Principal Address**. Participant's principal residence is at the address specified in the Note.

Section 2.3. **Business Purpose**. The Collateral is used, acquired and held exclusively for business purposes and no portion of the Collateral is consumer goods. The Obligations were incurred solely for business purposes and not as a consumer-goods transaction or a consumer transaction.

ARTICLE III

COVENANTS

Participant covenants and agrees with Secured Party that until the Obligations are satisfied and performed in full:

Section 3.1. **Encumbrances**. Participant shall not create, permit, or suffer to exist, and shall defend the Collateral against, any lien, security interest, or other encumbrance on the Collateral except the pledge and security interest of Secured Party hereunder, and shall defend Participant's rights in the Collateral and Secured Party's security interest in the Collateral against the claims of all persons and entities.

Section 3.2. **Sale of Collateral**. Participant shall not sell, assign, or otherwise dispose of the Collateral or any part thereof without the prior written consent of Secured Party.

Section 3.3. **Distributions**. If Participant shall become entitled to receive or shall receive any stock certificate (including, without limitation, any certificate representing a distribution in connection with any reclassification, increase, or reduction of equity or issued in connection with any reorganization), option or rights, whether as an addition to, in substitution of, or in exchange for any Collateral or otherwise, Participant agrees to accept the same as Secured Party's agent and to hold the same in trust for Secured Party, and to deliver the same forthwith to Secured Party in the exact form received, with the appropriate endorsement of Participant when necessary or appropriate undated stock powers duly executed in blank, to be held by Secured Party as additional Collateral for the Obligations, subject to the terms hereof. Any sums paid upon or in respect of the Collateral upon the liquidation or dissolution of the issuer thereof shall be paid over to Secured Party to be held by it as additional collateral for the Obligations subject to the terms hereof; and in case any distribution of stock shall be made on or in respect of the Collateral or any property shall be distributed upon or with respect to the Collateral pursuant to any recapitalization or reclassification of the equity of the issuer thereof or pursuant to any reorganization of the issuer thereof, the property so distributed shall be delivered to the Secured Party to be held by it, as additional Collateral for the Obligations, subject to the terms hereof. All sums of money and property so paid or distributed in respect of the Collateral that are received by Participant shall, until paid or delivered to Secured Party, be held by Participant in trust as additional security for the Obligations.

Section 3.4. **Further Assurances**. At any time and from time to time, upon the request of Secured Party, and at the sole expense of Participant, Participant shall promptly execute and deliver all such further instruments and documents and take such further action as Secured Party may deem necessary or desirable to preserve and perfect its security interest in the Collateral and carry out the provisions and purposes of this Agreement.

Section 3.5. **Notification**. Participant shall promptly notify Secured Party of (i) any lien, security interest, encumbrance, or claim made or threatened against the Collateral, (ii) any material change in the Collateral, including, without limitation, any material decrease in the value of the Collateral, and (iii) the occurrence or existence of any Event of Default or the occurrence or existence of any condition or event that, with the giving of notice or lapse of time or both, would be an Event of Default.

ARTICLE IV

RIGHTS OF SECURED PARTY AND PLEDGOR

Section 4.1. **Power of Attorney**. Participant hereby irrevocably constitutes and appoints Secured Party and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead and in the name of Participant or in its own name, upon the occurrence of an Event of Default, to take any and all action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, hereby gives Secured Party the power and right on behalf of Participant and in its own name to do any of the following, without notice to or the consent of Participant:

(a) to demand, sue for, collect, or receive in the name of Participant or in his/her own name, any money or property at any time payable or receivable on account of or in exchange for any of the Collateral and, in connection therewith, endorse checks, notes, drafts, acceptances, money orders, or any other instruments for the payment of money under the Collateral;

(b) to pay or discharge taxes, liens, security interests, or other encumbrances levied or placed on or threatened against the Collateral;

(c) (i) to direct any parties liable for any payment under any of the Collateral to make payment of any and all monies due and to become due thereunder directly to Secured Party or as Secured Party shall direct; (ii) to receive payment of and receipt for any and all monies, claims, and other amounts due and to become due at any time in respect of or arising out of any Collateral; (iii) to sign and endorse any drafts, assignments, proxies, stock powers, verifications, notices, and other documents relating to the Collateral; (iv) to exchange any of the Collateral for other property upon any merger, consolidation, reorganization, recapitalization, or other readjustment of the issuer thereof and, in connection therewith, deposit any of the Collateral with any committee, depositary, transfer agent, registrar, or other designated agency upon such terms as Secured Party may determine; (v) to insure any of the Collateral; and (vi) to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Secured Party were the absolute owner thereof for all purposes, and to do, at Secured Party's option and Participant's expense, at any time, or from time to time, all acts and things which Secured Party deems necessary to protect, preserve, or realize upon the Collateral and Secured Party's security interest therein.

This power of attorney is a power coupled with an interest and shall be irrevocable. Secured Party shall be under no duty to exercise or withhold the exercise of any of the rights, powers, privileges, and options expressly or implicitly granted to Secured Party in this Agreement, and shall not be liable for any failure to do so or any delay in doing so. Secured Party shall not be liable for any act or omission or for any error of judgment or any mistake of fact or law in its individual capacity or in its capacity as attorney-in-fact except acts or omissions resulting from its willful misconduct. This power of attorney is conferred on Secured Party solely to protect, preserve, and realize upon its security interest in the Collateral.

Section 4.2. **Voting Rights**. So long as no Event of Default shall have occurred and be continuing, Participant shall be entitled to exercise any and all voting rights relating or pertaining to the Collateral or any part thereof.

Section 4.3. **Performance by Secured Party of Participant's Obligations**. If Participant fails to perform or comply with any of its agreements contained herein and Secured Party itself shall cause performance of or compliance with such agreement, the expenses of Secured Party, together with interest thereon at the maximum nonusurious per annum rate permitted by applicable law, shall be payable by Participant to Secured Party on demand and shall constitute Obligations secured by this Agreement.

Section 4.4. **Secured Party's Duty of Care**. Other than the exercise of reasonable care in the physical custody of the Collateral while held by Secured Party hereunder, Secured Party shall have no responsibility for or obligation or duty with respect to all or any part of the Collateral or any matter or proceeding arising out of or relating thereto, including, without limitation, any obligation or duty to collect any sums due in respect thereof or to protect or preserve any rights against prior parties or any other rights pertaining thereto, it being understood and agreed that Participant shall be responsible for preservation of all rights in the Collateral. Without limiting the generality of the foregoing, Secured Party shall be conclusively deemed to have exercised reasonable care in the custody of the Collateral if Secured Party takes such action, for purposes of preserving rights in the Collateral, as Participant may reasonably request in writing, but no failure or omission or delay by Secured Party in complying with any such request by Participant, and no refusal by Secured Party to comply with any such request by Participant, shall be deemed to be a failure to exercise reasonable care.

Section 4.5. **Assignment by Secured Party**. Secured Party may from time to time assign the Obligations and any portion thereof and the Collateral or any portion thereof, and the assignee shall be entitled to all of the rights and remedies of Secured Party under this Agreement in relation thereto.

Section 4.6. **Financing Statements**. Participant expressly authorizes Secured Party to file financing statements showing Participant as debtor covering all or any portion of the Collateral in such filing locations as selected by Secured Party and authorizes, ratifies and confirms any financing statement filed prior to the date hereof by Secured Party in an jurisdiction showing Participant as debtor covering all or any portion of the Collateral.

ARTICLE V

DEFAULT

Section 5.1. **Events of Default**. The term "Event of Default" shall mean an Event of Default as defined in the Note.

Section 5.2. **Rights and Remedies**. Upon the occurrence of an Event of Default, Secured Party shall have the following rights and remedies:

(a) Secured Party may declare the Obligations or any part thereof immediately due and payable, without notice, demand, presentment, notice of dishonor, notice of acceleration, notice of intent to accelerate, notice of intent to demand, protest, or other formalities of any kind, all of which are hereby expressly waived by Participant; provided, however, that upon the occurrence of an Event of Default under clause (e) or clause (f) of the definition of Event of Default contained in the Note, the Obligations shall become immediately due and payable without notice, demand, presentment, notice of dishonor, notice of acceleration, notice of intent to accelerate, notice of intent to demand, protest, or other formalities of any kind, all of which are hereby expressly waived by Participant.

(b) In addition to all other rights and remedies granted to Secured Party in this Agreement and in any other instrument or agreement securing, evidencing, or relating to the Obligations, Secured Party shall have all of the rights and remedies of a secured party under the UCC. Without limiting the generality of the foregoing, Secured Party may (i) without demand or notice to Participant, collect, receive, or take possession of the Collateral or any part thereof, and/or (ii) sell or otherwise dispose of the Collateral, or any part thereof, in one or more parcels at public or private sale or sales, at Secured Party's offices or elsewhere, for cash, on credit, or for future delivery. Participant agrees that Secured Party shall not be obligated to give more than ten (10) days written notice of the time and place of any public sale or of the time after which any private sale may take place and that such notice shall constitute reasonable notice of such matters. Participant shall be liable for all expenses of retaking, holding, preparing for sale, or the like, and all attorneys' fees and other expenses incurred by Secured Party in connection with the collection of the Obligations and the enforcement of Secured Party's rights under this Agreement, all of which expenses and fees shall constitute additional Obligations secured by this Agreement. Secured Party may apply the Collateral against the Obligations in such order and manner as Secured Party may elect in its sole discretion. Participant shall remain liable for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay the Obligations. Participant waives all rights of marshalling in respect of the Collateral.

(c) Secured Party may cause any or all of the Collateral held by it to be transferred into the name of Secured Party or the name or names of Secured Party's nominee or nominees.

(d) Secured Party shall be entitled to receive all cash dividends payable in respect of the Collateral.

(e) Secured Party shall have the right, but shall not be obligated to, exercise or cause to be exercised all voting rights and corporate powers in respect of the Collateral, and Participant shall deliver to Secured Party, if requested by Secured Party, irrevocable proxies with respect to the Collateral in form satisfactory to Secured Party.

(f) Participant hereby acknowledges and confirms that Secured Party may be unable to effect a public sale of any or all of the Collateral by reason of certain prohibitions contained in the Securities Act of 1933, as amended, and applicable state securities laws and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers who will be obligated to agree, among other things, to acquire any shares of the Collateral for their own respective accounts for investment and not with a view to distribution or resale thereof. Participant further acknowledges and confirms that any such private sale may result in prices or other terms less favorable to the seller than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner, and Secured Party shall be under no obligation to take any steps in order to permit the Collateral to be sold at a public sale. Secured Party shall be under no obligation to delay a sale of any of the Collateral for any period of time necessary to permit any issuer thereof to register such Collateral for public sale under the Securities Act of 1933, as amended, or under applicable state securities laws.

(g) On any sale of the Collateral, Secured Party is hereby authorized to comply with any limitation or restriction with which compliance is necessary, in the view of Secured Party's counsel, in order to avoid any violation of applicable law or in order to obtain any required approval of the purchaser or purchasers by any applicable governmental authority.

(h) On any sale of the Collateral, Secured Party is authorized to disclaim any warranty, express or implied. Participant acknowledges and agrees that the foregoing action by Secured Party may result in a diminution of the proceeds from any such sale of Collateral.

ARTICLE VI

MISCELLANEOUS

Section 6.1. **No Waiver; Cumulative Remedies**. No failure on the part of Secured Party to exercise and no delay in exercising, and no course of dealing with respect to, any right, power, or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power, or privilege under this Agreement preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The rights and remedies provided for in this Agreement are cumulative and not exclusive of any rights and remedies provided by law.

Section 6.2. **Successors and Assigns**. This Agreement shall be binding upon and inure to the benefit of Participant and Secured Party and their respective heirs, successors, and assigns, intestate survivors and legal representatives and executors, as applicable, except that Participant may not assign any of its rights or obligations under this Agreement without the prior written consent of Secured Party.

Section 6.3. **Notices**. All notices and other communications provided for in this Agreement shall be given as provided in the Note.

Section 6.4. **Applicable Law; Venue; Service of Process**. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas and the applicable laws of the United States of America. This Agreement has been entered into in Harris County, Texas, and it shall be performable for all purposes in Harris County, Texas. Any action or proceeding against Participant under or in connection with this Agreement or any other instrument or agreement securing, evidencing, or relating to the Obligations or any part thereof may be brought in any state or federal court in Harris County, Texas, and Participant hereby irrevocably submits to the nonexclusive jurisdiction of such courts, and waives any objection it may now or hereafter have as to the venue of any such action or proceeding brought in such court. Participant agrees that service of process upon it may be made by certified or registered mail, return receipt requested, at its address specified in the Note. Nothing in this Agreement or any other instrument or agreement securing, evidencing, or relating to the Obligations or any part thereof shall affect the right of Secured Party to serve process in any other manner permitted by law or shall limit the right of Secured Party to bring any action or proceeding against Participant or with respect to any of the Collateral in any state or federal court in any other jurisdiction. Any action or proceeding by Participant against Secured Party shall be brought only in a court located in Harris County, Texas.

Section 6.5. **Survival of Representations and Warranties**. All representations and warranties made in this Agreement or in any certificate delivered pursuant hereto shall survive the execution and delivery of this Agreement, and no investigation by Secured Party shall affect the representations and warranties or the right of Secured Party to rely upon them.

Section 6.6. **Severability**. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 6.7. **Obligations Absolute**. The obligations of Participant under this Agreement shall be absolute and unconditional and, except upon payment and performance of the Obligations in full, shall not be released, discharged, reduced, or in any way impaired by any circumstance whatsoever, including, without limitation, any amendment, modification, extension, or renewal of this Agreement, the Obligations, or any document or instrument evidencing, securing, or otherwise relating to the Obligations, or any release, subordination, or impairment of collateral, or any waiver, consent, extension, indulgence, compromise, settlement, or other action or inaction in respect of this Agreement, the Obligations, or any document or instrument evidencing, securing, or otherwise relating to the Obligations, or any exercise or failure to exercise any right, remedy, power, or privilege in respect of the Obligations.

Section 6.8. **ENTIRE AGREEMENT; AMENDMENT. THIS AGREEMENT AND THE OTHER DOCUMENTS REFERRED TO HEREIN EMBODY THE FINAL, ENTIRE AGREEMENT AMONG THE PARTIES HERETO AND SUPERSEDE ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS, AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF THE PARTIES HERETO. THERE ARE NO ORAL AGREEMENTS AMONG THE PARTIES HERETO. THE PROVISIONS OF THIS AGREEMENT MAY BE AMENDED OR WAIVED ONLY BY AN INSTRUMENT IN WRITING SIGNED BY THE PARTIES HERETO**.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first set forth above.

PARTICIPANT:

_____

_____

SECURED PARTY:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.,
a Delaware corporation

By: _____
[●], [●]

AWARD STOCK GRANT AGREEMENT

This AWARD STOCK GRANT AGREEMENT (the "Award Agreement") is entered into effective as of the __ day of _____, 201_ (the "Grant Date"), by and between HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation (the "Company"), and _____ ("Participant") and is made pursuant to the Houston International Insurance Group, Ltd. 2016 Equity Incentive Program (the "Program"). Any capitalized term not defined in this Award Agreement shall have the definition provided by the Program.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained and other good and valuable consideration, the parties hereto agree as follows:

1. **Grant of Award Stock**.

(a) As of the Grant Date, and subject to the terms and conditions of this Award Agreement and the Program, the Company hereby awards, grants, and conveys to Participant _____ shares of Common Stock of the Company (the "Award Stock").

(b) The Award Stock shall be registered in Participant's name as of the Grant Date in the records of the Company, but shall be restricted as described in the Program during the Restriction Period.

(c) The Award Stock shall become vested as provided in Section 7(c) of the Program.

(d) During the Restriction Period, any certificates representing the Award Stock shall carry the legend described in Section 7(f) of the Program.

(e) Subject to the restrictions set forth in Section 2 and the Program, Participant shall have all the rights of a stockholder with respect to the Award Stock, including any applicable voting and dividend rights.

(f) The Award Shares are subject to the terms of the Stockholder's Agreement, the execution of which by Participant is a condition to this Award Agreement.

(g) If, from time to time during the Restriction Period, there is any stock dividend, stock split, reorganization, recapitalization, or other extraordinary corporate transaction which results in the issuance of any new or additional shares or securities or different shares or securities to the shareholders of the Company, such new or additional or different shares or securities to which Participant is entitled by reason of his/her ownership of the Award Stock shall be considered "Award Stock" for purposes of this Award Agreement and the Program and shall be subject to the restrictions described in Section 2 and the Program during the Restriction Period.

2. **Restrictions.**

(a) Upon any breach by Participant of the Non-Solicitation Agreement, (i) any Award Stock (whether vested or unvested) then held by Participant shall be automatically forfeited and returned to the Company without the payment of any consideration, and Participant shall have no rights with respect to such forfeited Award Stock and (ii) the amount of any pre-tax tax gain realized by Participant on any prior transfers of Award Stock, as determined by the Company in its discretion, or, if applicable, such lesser amount as shall be determined to be the maximum reasonable and enforceable amount by a court, shall be immediately payable by the Participant to the Company.

(b) The obligations of Participant set forth in this Award Agreement shall survive any termination of this Award Agreement and Participant's employment with the Company or any of its Affiliates.

(c) By accepting this Award Agreement, the Participant consents to the offset provisions described in the Program.

3. **Compliance with Securities Laws.** Nothing herein shall obligate the Company to register the Award Stock pursuant to any applicable securities law or to take any other affirmative action in order to cause the issuance or transfer of the Award Stock to comply with any law or regulation of any governmental authority.

4. **Tax Consequences; Tax Withholding.** Participant has read, understands, and agrees to the tax withholding provisions of the Program.

(a) Participant shall be responsible for his/her own tax liability that arises as the result of this Award Agreement. Participant acknowledges and understands that he/she may make an election under Code Section 83(b) within 30 days after the Grant Date.

(b) Participant shall pay to the Company, or make arrangements satisfactory to the Company regarding payment to the Company of, the aggregate amount of any federal, state, and local income, employment, Social Security, Medicare, and other taxes that the Company is required to withhold in connection with the Award Stock, including, but not limited to, the issuance, vesting, or disposition of the Award Stock. The Company shall have the right to, at its option: (i) deduct any such taxes from any amounts paid to Participant by the Company or any subsidiary of the Company; and (ii) redeem a portion of the Award Stock having a Fair Market Value equal to such taxes, in consideration of the payment of such taxes by the Company.

5. **Amendments and Waivers.** Any provision of this Award Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by the Company and Participant, or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by any party in exercising any right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. To the maximum extent permitted by law, (i) no waiver that may be given by a party shall be applicable except in the specific instance for which it was given, and (ii) no notice to or demand on one party shall be deemed to be a waiver of any obligation of such party or the right of the party giving such notice or demand to take further action without notice or demand.

6. **No Right to Continued Service.** This Award Agreement does not confer upon Participant any right to remain in the employ of the Company or any subsidiary of the Company, nor shall it interfere in anyway with the right of the Company and its subsidiaries to terminate or change the conditions of his/her employment at any time.

7. **Successors and Assigns; Binding Effect.** This Award Agreement, and the rights and obligations of Participant hereunder, may not be assigned by Participant other than by will or the laws of descent and distribution. All of the terms and provisions of this Award Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective executors, heirs, personal representatives, successors, and permitted assigns.

8. **Entire Agreement.** The Program, this Award Agreement and the other agreements referenced herein set forth the entire understanding of the parties hereto with respect to the grant of the Award Stock to Participant. Any and all previous agreements and understandings between or among the parties regarding the subject matter hereof, whether written or oral, are superseded by this Award Agreement.

9. **Severability.** Any provision of this Award Agreement which is invalid or unenforceable in any applicable jurisdiction shall be ineffective to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10. **Section 409A**. The shares of Award Stock subject to this Award Agreement are not intended to be subject to Code Section 409A. To the extent that any portion of the shares of Award Stock, or any payment made pursuant to an agreement is aggregated with the payments made under this Award Agreement, constitutes "nonqualified deferred compensation" for purposes of Code Section 409A, this Award Agreement shall be construed in such a manner so as to comply with the requirements of Code Section 409A. If any provision of this Award Agreement would cause Participant to incur any additional tax under Code Section 409A, the parties will in good faith attempt to reform the provision in a manner that maintains, to the extent possible, the original intent of the applicable provision without violating the provisions of Code Section 409A.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Award Agreement to be executed in multiple originals effective as of the Grant Date.

COMPANY:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.,
a Delaware corporation

By: _____
[●], [●]

PARTICIPANT:

_____

_____

Address:

NON-SOLICITATION AGREEMENT

This NON-SOLICITATION AGREEMENT (the "Non-Solicitation Agreement") is entered into effective as of the __ day of _____, 201_, by and between _____ ("Participant") and HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation (the "Company"). This Non-Solicitation Agreement shall be subject to the terms and conditions outlined in the Houston International Insurance Group, Ltd. 2016 Equity Incentive Program (the "Program"). Any capitalized term not defined in this Non-Solicitation Agreement shall have the definition provided by the Program.

In consideration of the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I

NON-SOLICITATION

Section 1.1 **Non-Solicitation.** In consideration of these premises and as inducement for the Company to enter into this Non-Solicitation Agreement and the Company's directive that the Employer (which may include the Company) provide the Participant with access to the confidential and proprietary information of the Employer and with training in the methods of operations of the Employer, subject to the limitations set forth herein, Participant agrees to each of the following restrictions for the time periods as specified below:

(a) **Restricted Business Relations**. During Participant's employment with the Company and for an additional period of twenty four (24) months following any termination of such employment, Participant shall not, directly or indirectly, either for her/himself or any other person, other than on behalf of the Company, entice, induce, persuade, attempt to persuade or otherwise cause the Company's customers, service providers, producers or brokers to terminate, reduce or diminish their relationship with the Company, including accepting any business from any customer who was a customer of the Company's within twelve (12) months of Participant's termination. This Section 1.1(a) applies to business and relationships related to the Division or programs in which Participant worked, but does not apply to any subscription business.

(b) **Non-Solicitation of Employees**. During Participant's employment with the Employer and for an additional period of twenty four (24) months following any termination of such employment, Participant shall not, directly or indirectly, either for herself or any other person: (i) induce or attempt to induce any then current employee of the Employer or any of its direct or indirect parents or subsidiaries or entities under common control with the Employer (collectively, "Affiliates") to leave the employ of the Employer or its Affiliates; (ii) in any way interfere with the relationship between the Employer or its Affiliates and any then current employee of the Employer or its Affiliates; or (iii) other than on behalf of the Employer or its Affiliates, employ, or otherwise engage as an employee, independent contractor, consultant, or otherwise, any current employee or any former employee who was employed by the Employer or its Affiliates during Participant's tenure with the Employer.

(c) **Non-Disparagement**. During Participant's employment with the Employer and at all times thereafter, Participant shall not, except as required by applicable law or compelled by legal process, (i) make any derogatory, disparaging or critical statement about the Company or any of its present or former officers, directors, employees, shareholders, parents or subsidiaries, or (ii) without the prior written consent of the Company, communicate, directly or indirectly, with the press or other media concerning the Company or the present or former employees or business of the Company.

Section 1.2 **Remedies.** The Employer shall be a third party beneficiary of the obligations of the Participant hereunder. Participant acknowledges and agrees that any violation of this Article I will result in irreparable injury to the Company and the Employer and that damages at law would not be reasonable or adequate compensation to the Company and the Employer for a violation of this Article. Accordingly, in the event that the Participant breaches any of the covenants set forth in this Article I: (i) the term of such covenant will be extended by the period of the duration of such breach; (ii) the Company and the Employer will be entitled to receive from the Participant any and all damages, losses or expenses related thereto or arising therefrom; (iii)(X) any Award Stock (whether vested or unvested) then held by Participant shall be automatically forfeited and returned to the Company without the payment of any consideration, and Participant shall have no rights with respect to such forfeited Award Stock; and (Y) the amount of any pre-tax tax gain realized by Participant on any prior transfers of Award Stock, as determined by the Company in its discretion, or, if applicable, such lesser amount as shall be determined to be the maximum reasonable and enforceable amount by a court, shall be immediately payable by the Participant to the Company; and (iv) the Company and the Employer will be entitled to obtain injunctive or other equitable relief to restrain any breach or threatened breach or otherwise to specifically enforce the provisions of this Article I without the necessity of proving actual damages and without posting bond or other security as well as to an equitable accounting of all earnings, profits and other benefits arising out of any violation of Article I of this Non-Solicitation Agreement.

Section 1.3 **Set-off rights**. By accepting this Non-Solicitation Agreement, the Participant consents to a deduction from any amounts the Company or the Employer may owe to the Participant from time to time to the full extent of any monetary amounts due to the Company or the Employer from the Participant. Without regard to whether the Company elects to make any set-off in whole or in part, if the Company or the Employer does not recover by means of set-off the full amount due to it from the Participant, calculated as set forth above, the Participant agrees to immediately pay the unpaid balance thereof to the Company or the Employer, as applicable.

Section 1.4 **Scope**. Participant acknowledges and agrees that the provisions of and scope of this Article are reasonable and necessary to protect the legitimate interests of the Company and the Employer and will not prevent the Participant from earning a livelihood. If, however, for any reason, any court of competent jurisdiction determines that the restrictions set forth in Section 1.1 are not reasonable, that the consideration is inadequate, or that Participant has been prevented from earning a livelihood, such restrictions shall be interpreted, modified, or rewritten to include as much of the duration and scope identified in Section 1.1 as will render such restrictions valid and enforceable. The obligations of Participant set forth in Article I shall survive any termination of this Non-Solicitation Agreement and Participant's employment with Employer.

ARTICLE II

2.1 **Binding Effect**. This Non-Solicitation Agreement shall be binding upon and shall inure to the benefit of the parties hereto, and any additional parties hereto, and their executors, administrators, personal representatives, heirs, agents, legatees, successors, and assigns.

2.2 **Additional Documents**. All parties hereto agree to execute any and all documents and to perform any and all other acts reasonably necessary to accomplish the purposes of this Non-Solicitation Agreement, including, but not limited to, the furnishing of releases and evidence of payment upon completion of a sale hereunder.

2.3 **Sale of Entire Interest**. All parties agree that any purchase or sale of all of the Shares of the Participant contemplated by and described in this Non-Solicitation Agreement and Section 8 of the Program shall constitute a sale and purchase of any and all interest, claim, title, and right of the Participant and his/her successors and assigns in or to the Company, including, without limitation, the goodwill, accounts receivable, contract rights, accrued time, and all other property or assets of the Company, tangible or intangible.

2.4 **Specific Performance**. If any party subject to this Non-Solicitation Agreement fails or refuses to fulfill the obligations required to be made or delivered by it by this Non-Solicitation Agreement, or to make any payment or deliver any instrument required to be made or delivered by it by this Non-Solicitation Agreement, then any other party hereto shall have the remedy of specific performance, which remedy shall be cumulative and nonexclusive and shall be in addition to any other remedies at law or in equity to which such party might be entitled.

2.5 **Attorneys' Fees.** If this Non-Solicitation Agreement, or any part hereof, or any obligation described herein is placed in the hands of an attorney for collection or enforcement, then the party seeking such enforcement or collection shall be entitled to recover reasonable attorneys' fees and expenses in addition to such collection or enforcement.

2.6 **Governing Law.** This Non-Solicitation Agreement is made pursuant to and shall be construed under the laws of the State of Texas, without regard to the conflicts of laws principles thereof. Any payments becoming due hereunder, and any obligations performable hereunder, shall be payable and performable in Harris County, Texas.

2.7 **Entire Agreement.** The Program, this Non-Solicitation Agreement, the Stockholders' Agreement, the Note, the Share Purchase Agreement, the Award Stock Grant Agreement, and that certain Security Agreement of even date herewith between the Company and Participant and other ancillary documents related thereto constitute the entire agreement of the parties, and supersede all prior agreements, understandings, or documents, with respect to the subject matter hereof.

2.8 **Amendment and Waiver**. This Non-Solicitation Agreement may be amended, modified, superseded, or cancelled, and any of the terms, provisions, covenants, representations, warranties, or conditions contained herein may be waived only by a written instrument executed by all parties hereto or, in the case of a waiver, by the party waiving compliance. The failure of any party at any time to require performance of any provision hereof shall in no manner affect the right to enforce such provision or constitute a continuing waiver of such provision.

2.9 **Severability**. Subject to Section 1.4, any provision of this Non-Solicitation Agreement which is invalid or unenforceable in any applicable jurisdiction shall be ineffective to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

2.10 **Headings; Sections**. The captions or headings contained in this Non-Solicitation Agreement are inserted and included solely for convenience and shall never be considered or given any effect in construing the provisions hereof if any question of intent should arise. References herein to a "Section" mean a section of this Non-Solicitation Agreement.

2.11 **Notices**. Any notice or offer under this Non-Solicitation Agreement shall be in writing and shall be deemed to have been received on the earlier of (i) the date actually received or (ii) three (3) days after the date on which it is deposited in the United States mail if mailed by certified mail, return receipt requested, postage prepaid, properly addressed to the principal office of the Company if to the Company, or to the address of the Participant as shown in the books of the Company if to the Participant, or at such changed address of which a party has given notice.

IN WITNESS WHEREOF, the parties hereto have entered into this Non-Solicitation Agreement as of the date first set forth above.

COMPANY:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.
a Delaware corporation

By: _____
[●], [●]

PARTICIPANT:

_____

_____

Exhibit 10.2

EXECUTIVE SUMMARY OF DOCUMENTATION FOR
HOUSTON INTERNATIONAL INSURANCE GROUP, LTD. SHARE PURCHASE AND AWARD AGREEMENTS FOR _____

Share Purchase Agreement

- _____ ("Executive") purchasing _____ shares of Houston International Insurance Group, Ltd. ("HIIG") common stock (calculated based upon book value as of _____.
- Purchase price payable 30% ($_____.00) in cash and 70% ($_____.00) with a Note.

Promissory Note

- Principal: $_____.00; Interest: ___% annually; Maturity: _____.
- Quarterly Payments of accrued and unpaid interest.
- Annual Payment of lesser of (i) $_____.00 (5% of remaining note amount); or (ii) 10% of net of all cash bonus or incentive payments received during the calendar year.
- Executive must repay amounts due under Note within 90 days of termination of his employment from HIIG or affiliate thereof ("Employer").

Security Agreement – Pledge

- Note and other obligations of Executive to HIIG secured by Executive's shares in HIIG and any proceeds thereof (the "Collateral").
- Executive has voting rights on Collateral if no default has occurred under the Note.

Share Award Agreement

- Award of Restricted Stock granted to Executive at no cost in the same amount of stock purchased under the Share Purchase Agreement.
- Unvested Restricted Stock forfeited upon (a) Executive's termination for any reason (except for a without cause termination by Executive's Employer or a good reason termination by Executive), or (b) default under the Note.
- Upon breach of the Non-Competition Provision of the Stock Restriction Agreement, (a) all Restricted Stock (vested or unvested) automatically forfeited without consideration, and (b) Executive's pre-tax gain realized on prior transfers of Restricted Stock forfeited to HIIG.
- Restricted Stock vests in proportion to percentage of purchase price paid by Executive under Share Purchase Agreement as long as Executive is employed by Employer (30% vests on grant date, and remainder vests on payments of principal under the Note). Unvested Restricted Stock vests upon a Change of Control or IPO.
- Executive will execute a joinder to the HIIG Stockholders' Agreement and the Restricted Stock is subject thereto.

Stock Restriction Agreement

- All of Executive's shares in HIIG subject to Stock Restriction Agreement.
- No transfer of Executive's shares in HIIG without HIIG approval until a Change of Control or IPO. After a Change of Control, Executive may only transfer enough shares to satisfy the Promissory Note balance and applicable taxes. After an IPO, Executive may only transfer enough shares to satisfy the Promissory Note balance and applicable taxes, and must additionally transfer only to HIIG if HIIG makes a repurchase offer at book value or the IPO price. Executive must also comply with restrictions contained in the Stockholders' Agreement and comply with securities laws.

- Upon termination of employment by Executive's Employer without Cause or by Executive for Good Reason, HIIG has option to purchase the shares for book value as of the last day of the last full calendar quarter.
- Upon an involuntary transfer of shares (bankruptcy, etc.) or a default under the Note, termination by Executive's Employer for Cause or by Executive without Good Reason or if Executive breaches Noncompetition/Nonsolicitation provisions under the Stock Restriction Agreement, HIIG has option to purchase the shares for lower of the original purchase price or the book value as of the last day of the last full calendar quarter.
- Noncompetition/Nonsolicitation:
    - During Employee's employment with the Company and for an additional period of 24 months following any termination of such employment, Employee shall not, directly or indirectly, either for her/himself or any other person, other than on behalf of the Company, entice, induce, persuade, attempt to persuade or otherwise cause the Company's customers, service providers, producers or brokers to terminate, reduce or diminish their relationship with the Company, including accepting any business from any customer who was a customer of the Company's within 12 months of Employee's termination. This Section 5.1(c)(i) applies to business and relationships related to the Division or programs in which Employee worked, but does not apply to any subscription business.
    - Nonsolicitation and nonhire of and noninterference with employees for the employment term plus 24 months for current employees or employees who were employed by Employer during Employee employment.
    - Nondisparagement of Company and its subsidiaries and personnel for the employment term plus 24 months.
- Remedies for breach of Noncompetition/Nonsolicitation covenants: (a) extend restricted period for period of breach, (b) damages, (c) Restricted Stock (under Share Award Agreement) forfeited without consideration, whether vested or unvested, (d) pre-tax gain realized by Executive on prior transfers of Restricted Stock payable by Executive to HIIG, and (e) injunctive relief.

SHARE PURCHASE AGREEMENT

This SHARE PURCHASE AGREEMENT (this "Agreement") is entered into as of the __ day of _____, 201_, by and between HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation (the "Corporation"), and _____ ("Executive").

WHEREAS, Executive is an employee of the Corporation or a subsidiary thereof;

WHEREAS, the Executive Committee of the Board of Directors (the "Committee") has authorized Executive to purchase certain shares of common stock of the Corporation from the Corporation and to receive a corresponding number of shares of restricted stock pursuant to a Share Award Agreement between Corporation and Executive of even date herewith;

WHEREAS, the Committee has determined that, as of the date hereof, the fair market value of a share of the common stock of the Corporation is equal to its Per-Share Book Value (as defined below);

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained and other good and valuable consideration, the parties hereto agree as follows:

1. **Purchase.** As of the date hereof, subject to the terms and conditions of this Agreement, the Corporation hereby sells and conveys to Executive, and Executive hereby purchases from the Corporation, _____ shares of common stock of the Corporation (the "Shares") on the date hereof.

2. **Purchase Price.** The per-share purchase price for the Shares shall be the Per-Share Book Value, 30% of which shall be payable in the form of immediately available funds at closing, and the remaining 70% of which shall be payable over approximately nine (9) years pursuant to a promissory note in the form attached hereto as Exhibit A (the "Note"). The Note shall be secured by a security interest in the Shares pursuant to a Security Agreement-Pledge in the form attached hereto as Exhibit B (the "Security Agreement"). "Per-Share Book Value" means the aggregate book value of the Corporation as of _____, determined in accordance with generally accepted accounting principles in the United States (applied on a basis consistent with the accounting principles, practices and methodologies used in the past by the Corporation, with such deviations as referred to in the notes thereto and except for normal, recurring adjustments), divided by the number of all outstanding shares of common stock of the Corporation. The purchase price for the shares shall be $_____ per share.

3. **Representations and Warranties.** Executive hereby represents and warrants to the Corporation that the following statements are true:

(i) **Access.** Executive acknowledges the receipt of such information regarding the Corporation and the Shares that Executive has requested and that Executive, or Executive's representative, has thoroughly read and evaluated and understands the same and understands the nature of the risks involved in investment in the Shares. Further, Executive has been advised that the Corporation is available to answer any and all questions about the Corporation or Executive's acquisition of Shares, and Executive has asked the Corporation such questions in this regard as Executive has deemed appropriate and has received satisfactory answers from the Corporation to all such questions.

(ii) **Sophistication.** Executive is experienced and knowledgeable in business and financial matters in general and with respect to investments similar to an investment in the Shares in particular, and is capable of evaluating the merits and risks of acquiring Shares. Further, Executive has sought and obtained such advice that Executive has deemed necessary with respect to the merits and risks of acquiring Shares, and Executive has made its own independent decision with respect to acquiring Shares.

(iii) **Risk of Loss.** Executive recognizes that the Corporation has limited financial and operating history and that the Corporation is a speculative venture involving a high degree of risk of loss.

(iv) **No Registration of Shares.** Executive understands that neither the Corporation nor the Shares have been registered under the Securities Act of 1933 or any state securities laws in reliance upon exemptions therefrom, that the Shares may not be resold unless registered under the Securities Act of 1993 and applicable states securities laws or unless an exemption from registration is available, and that no state or federal governmental authority has made any finding or determination relating to the fairness of an acquisition of Shares and that no state or federal governmental authority has recommended or endorsed, or will recommend or endorse, the acquisition of Shares.

(v) **Lack of Market.** Executive recognizes that there is no market for the Shares and that it is unlikely that any such market for the Shares will develop in the foreseeable future, and that Executive cannot expect to be able readily to liquidate the Shares in case of emergency, or to pledge the Shares to secure borrowed funds.

(vi) **Investment Intent.** Executive is acquiring the Shares for his own account and not for the account of others, and is not acquiring the Shares for the purpose of reselling, transferring, or subdividing, or otherwise disposing of or hypothecating all or any portion of the Shares, and Executive does not presently have any reason to anticipate any change in circumstances or other occasion or event that would necessitate that Executive sell the Shares.

(vii) **Ability to Bear Economic Loss.** Executive has sufficient net worth so that Executive's acquisition of the Shares will not be material when compared with Executive's total financial capacity, and Executive's acquisition of the Shares and total investments are reasonable in relation to Executive's total financial capacity. Executive's overall commitment to investments that are not readily marketable is not disproportionate to Executive's net worth, and Executive's investment in Shares will not cause such overall commitment to become excessive. Executive can afford to bear the economic risks of investment in the Shares, including the risk of losing the entire investment. Executive has adequate means of providing for his current financial needs and possible personal contingencies, exclusive of his investment in the Shares.

(viii) **Independent Investigations.** Executive acknowledges that Executive has received no representations or warranties from the Corporation or its employees or agents, and has relied only upon the investigations conducted by Executive and Executive's advisors in acquiring the Shares.

(ix) **Accredited Investor.** Executive is an "accredited investor" as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended.

4. **Limitation on Transfer of Shares.** Executive acknowledges and agrees that the Shares shall be subject to that certain Amended and Restated Stockholders' Agreement dated as of March 12, 2014 and attached hereto as Exhibit C (the "Stockholders' Agreement") and a Stock Restriction Agreement between Executive and the Company in the form attached hereto as Exhibit D (the "Stock Restriction Agreement"). Executive further acknowledges that there are also substantial restrictions on the transferability of the Shares imposed by applicable securities laws. Since the Shares will not be, and Executive has no right to require that they be, registered under the Securities Act of 1933 or the securities laws of any state, the Shares may not be, and Executive agrees that they shall not be, sold except pursuant to an effective registration statement or an exemption from such registration under said statutes.

5. **Indemnification.** Executive hereby agrees to indemnify and hold harmless the Corporation from and against any and all claims, expenses (including attorneys' fees), loss, damage, or actions resulting from the breach or falsity of any of the representations, warranties, or covenants contained herein.

6. **Legend.** Executive agrees that a legend has been or will be placed on any certificate(s) or other document(s) evidencing the Shares reflecting the restrictions on transfer of the Shares described in Section 4 hereof. Executive agrees that such legend will be placed on any new certificate(s) or other document(s) issued upon presentment by Executive of certificate(s) or other document(s) for transfer, as permitted hereunder.

7. **Survival.** The foregoing representations and warranties and covenants shall survive the acquisition of the Shares.

8. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the state of Texas without regard to the conflicts of laws principles thereof.

9. **Successors and Assigns.** This Agreement shall inure to the benefit of and be binding upon the heirs, legal representatives, successors, and assigns of each of the parties.

10. **Multiple Counterparts.** This Agreement may be executed in multiple counterparts, each of which shall be deemed an original for all purposes, but all of which together shall constitute one and the same instrument.

11. **Entire Agreement.** This Agreement, the Stockholders' Agreement, the Note, the Security Agreement, the Stock Restriction Agreement and that certain Share Award Agreement of even date herewith between the Corporation and Executive and other ancillary documents related thereto constitute the entire agreement of the parties, and supersede all prior agreements, understandings, or documents, with respect to the subject matter hereof.

12. **Amendment.** No provision of this Agreement may be amended, waived, changed, or modified except by an agreement in writing signed by Executive and the Corporation, or in the case of a waiver, by the party waiving compliance.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in multiple originals effective as of the date first set forth above.

CORPORATION:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.,
a Delaware corporation

By: _____
[●], [●]

EXECUTIVE:

_____

_____

Address:

EXHIBIT A

FORM OF PROMISSORY NOTE

See attached.

EXHIBIT B

FORM OF SECURITY AGREEMENT-PLEDGE

See attached.

EXHIBIT C

STOCKHOLDERS' AGREEMENT

See attached.

EXHIBIT D

FORM OF STOCK RESTRICTION AGREEMENT

See attached.

PROMISSORY NOTE

$_____.00 _____ __, 201_
Houston, Texas

FOR VALUE RECEIVED, the undersigned, _____ ("Maker"), hereby promises to pay to the order of HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation ("Payee"), at its designated office, in lawful money of the United States of America, the principal sum of _____ AND NO/100 DOLLARS ($_____.00), together with interest thereon at the rate set forth below.

The outstanding principal balance hereof shall bear interest prior to maturity at a fixed rate per annum equal to the lesser of (a) the Maximum Rate (hereinafter defined), or (b) _____ percent (__%) per annum. If an Event of Default (hereinafter defined) has occurred and is existing, the principal hereof shall bear interest at the Default Rate (hereinafter defined). Interest on the indebtedness evidenced by this Note shall be computed on the basis of a year of 365 or 366 days, as the case may be, and the actual number of days elapsed (including the first day but excluding the last day).

Quarterly installments of accrued but unpaid interest on this Note shall be due and payable on the last Business Day of each calendar quarter, commencing with _____ __, 201_. Principal in the amount of the lesser of (i) 5% of the outstanding balance on the Note as of December 31st; or (ii) ten percent (10%) of the amount of the net of all cash bonuses or incentive payments received by Maker during the calendar year from Payee or any subsidiary of or successor to Payee shall be due and payable on or before December 31 of each year through and including _____ __, 20__; provided that if Maker has executed any other notes pursuant to the Company's Stock Purchase Program, any Principle payments from bonuses shall be deducted only one time and attributed to all outstanding notes pro-rata. All outstanding principal of this Note and all accrued but unpaid interest on this Note shall be due and payable on _____ __, 20__.

Maker may prepay this Note at any time without premium or penalty, provided that all such prepayments shall be applied first to interest and then to the principal payments due hereon in inverse order of their maturities.

Upon any distribution or payment (collectively "Distributions") to Maker by, or with respect to the interest of Maker in the Collateral (as such term is defined in the Security Agreement), a mandatory prepayment of outstanding principal and accrued interest on this Note shall be immediately due and payable in the amount of such Distribution; provided, however, that if any other note executed by Maker and payable to the order of Payee includes a similar mandatory prepayment provision, then such Distributions shall first be applied to this Note until principal and accrued interest herein is paid in full and then to such other notes, except that Distributions for all notes for the purchase of stock under the Company's SPP shall be applied pro-rata to all such notes.

This Note is secured as provided in the Security Agreement.

As used in this Note, the following terms shall have the respective meanings indicated below:

"Business Day" means a day on which Frost Bank is open in Houston, Texas.

"Default Rate" means the lesser of (a) twelve percent (12%) per annum, or (b) the Maximum Rate.

"Event of Default" each of the following shall constitute and be deemed an "Event of Default"

(a) Maker shall fail to pay this Note or any installment of this Note, whether principal or interest, on the date when due.

(b) Any representation or warranty made or deemed made by Maker in any certificate, report, notice, or financial statement furnished at any time in connection with this Note or any Loan Document shall be false, misleading, or erroneous in any material respect when made or deemed to have been made.

(c) Maker shall fail to perform, observe, or comply with any covenant, agreement or term contained in this Note or any Loan Document for a period of ten (10) days following the date on which Payee gives Maker notice of such failure.

(d) Maker shall commence a voluntary proceeding seeking liquidation, reorganization, or other relief with respect to himself or his debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of Maker or a substantial part of his property or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against him or shall make a general assignment for the benefit of creditors or shall generally fail to pay his debts as they become due or shall take any action to authorize any of the foregoing.

(e) An involuntary proceeding shall be commenced against Maker seeking liquidation, reorganization, or other relief with respect to Maker or his debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for Maker or a substantial part of his property, and such involuntary proceeding shall remain undismissed and unstayed for a period of thirty (30) days.

(f) Maker shall fail to pay when due any principal of or interest on any debt for borrowed money (other than the obligations hereunder), or the maturity of any such debt shall have been accelerated, or any such debt shall have been required to be prepaid prior to the stated maturity thereof, or any event shall have occurred that permits (or, with the giving of notice or lapse of time or both, would permit) any holder or holders of such debt or any person acting on behalf of such holder or holders to accelerate the maturity thereof or require any such prepayment.

(g) This Note or any other Loan Document shall cease to be in full force and effect or shall be declared null and void or the validity or enforceability thereof shall be contested or challenged by Maker, or Maker shall deny that it has any further liability or obligation hereunder prior to payment in full of all obligations hereunder, or the security interest created by the Security Agreement shall cease to be a first priority security interest.

(h) Maker shall for any reason cease to be an employee of Payee or any of its direct or indirect subsidiaries, and shall fail to pay this Note in full within ninety (90) Business Days of such cessation.

(i) Maker shall sell or transfer the securities described in the Security Agreement.

(j) Maker breaches his obligations under Section 2.1 of that certain Stock Restriction Agreement between Maker and Payee of even date herewith.

(k) Payee or one of its subsidiaries completes an IPO while Maker remains an executive officer.

"IPO" means the initial underwritten public offering of equity securities pursuant to an effective registration statement under the Securities Act of 1933, other than pursuant to a registration statement on Form S-4 or Form S-8 or any similar or successor form.

"Loan Documents" means this Note and all security agreements, deeds of trust, pledge agreements, assignments, letters of credit, guaranties, certificates and other instruments, documents, and agreements, if any, executed and delivered pursuant to or in connection with this Note, as such instruments, documents, and agreements may be amended, modified, renewed, extended, or supplemented from time to time.

"Maximum Rate" means the maximum rate of nonusurious interest permitted from day to day by applicable law, including Chapter 303 of the Texas Finance Code (the "Code") (and as the same may be incorporated by reference in other Texas statutes). To the extent that Chapter 303 of the Code is relevant to any holder of this Note for the purposes of determining the Maximum Rate, each such holder elects to determine such applicable legal rate pursuant to the "weekly ceiling," from time to time in effect, as referred to and defined in Chapter 303 of the Code; subject, however, to the limitations on such applicable ceiling referred to and defined in the Code, and further subject to any right such holder may have subsequently, under applicable law, to change the method of determining the Maximum Rate.

"Obligations" means all obligations, indebtedness, and liabilities of Maker to Payee, now existing or hereafter arising, including, without limitation, the obligations, indebtedness, and liabilities of Maker under this Note (including the payment of principal and interest hereon) and the other Loan Documents and all interest accruing thereon and all attorneys' fees and other expenses incurred in the enforcement or collection thereof.

"Person" means any individual, corporation, limited liability company, business trust, association, company, partnership, joint venture, governmental authority, or other entity.

"Security Agreement" means the Security Agreement-Pledge dated of even date herewith, executed by Maker for the benefit of Payee, as the same may be amended, supplemented, or modified from to time.

The proceeds of this Note shall be used solely for business purposes and this Note was not entered into as a consumer-goods transaction or a consumer transaction.

Maker agrees with Payee that Maker will execute and deliver such further instruments as may be requested by Payee to carry out the provisions and purposes of this Note and the other Loan Documents and to preserve and perfect the Liens of Payee in the collateral for this Note.

All notices and other communications provided for in this Note and the other Loan Documents shall be in writing and may be mailed by certified mail return receipt requested, or delivered to the intended recipient at the addresses specified below or at such other address as shall be designated by any party listed below in a notice to the other parties listed below given in accordance with this paragraph.

If to Maker: _____
c/o address specified on Signature Page

If to Payee: Houston International Insurance Group, Ltd.
800 Gessner, Suite 600
Houston, Texas 77024

Except as otherwise provided in this Note or any Loan Document, all such communications shall be deemed to have been duly given, when personally delivered or, in the case of a mailed notice, when duly deposited in the mails, in each case given or addressed as aforesaid.

Notwithstanding anything to the contrary contained herein, no provisions of this Note shall require the payment or permit the collection of interest in excess of the Maximum Rate. If any excess of interest in such respect is herein provided for, or shall be adjudicated to be so provided, in this Note or otherwise in connection with this loan transaction, the provisions of this paragraph shall govern and prevail, and neither Maker nor the sureties, guarantors, successors or assigns of Maker shall be obligated to pay the excess amount of such interest, or any other excess sum paid for the use, forbearance or detention of sums loaned pursuant hereto. If for any reason interest in excess of the Maximum Rate shall be deemed charged, required or permitted by any court of competent jurisdiction, any such excess shall be applied as a payment and reduction of the principal of indebtedness evidenced by this Note; and, if the principal amount hereof has been paid in full, any remaining excess shall forthwith be paid to Maker. In determining whether or not the interest paid or payable exceeds the Maximum Rate, Maker and Payee shall, to the extent permitted by applicable law, (a) characterize any non-principal payment as an expense, fee, or premium rather than as interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the entire contemplated term of the indebtedness evidenced by this Note so that the interest for the entire term does not exceed the Maximum Rate.

Upon the occurrence of any Event of Default, the holder hereof may, at its option, (a) declare the entire unpaid principal of and accrued interest on this Note immediately due and payable without notice, demand or presentment, all of which are hereby waived, and upon such declaration, the same shall become and shall be immediately due and payable, (b) foreclose the security interests created by the Security Agreement or any other Loan Document, (c) offset against this Note any sum or sums owed by the holder hereof to Maker, and (d) take any and all other actions available to Payee under this Note, at law, in equity or otherwise. Failure of the holder hereof to exercise any of the foregoing options shall not constitute a waiver of the right to exercise the same upon the occurrence of a subsequent Event of Default.

To the extent of any compliance issues or ambiguous terms, this Agreement shall be construed in such a manner so as to comply with the requirements of section 409A of the Internal Revenue Code of 1986, as amended (the "Code"). If any provision of this Agreement would cause Maker to occur any additional tax under Code section 409A, the parties will in good faith attempt to reform the provision in a manner that maintains, to the extent possible, the original intent of the applicable provision without violating the provisions of Code section 409A.

If the holder hereof expends any effort in any attempt to enforce payment of all or any part or installment of any sum due the holder hereunder, or if this Note is placed in the hands of an attorney for collection, or if it is collected through any legal proceedings, Maker agrees to pay all costs, expenses, and fees incurred by the holder, including all reasonable attorneys' fees.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS AND THE APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. THIS NOTE IS PERFORMABLE IN HARRIS COUNTY, TEXAS.

Maker and each surety, guarantor, endorser, and other party ever liable for payment of any sums of money payable on this Note jointly and severally waive notice, presentment, demand for payment, protest, notice of protest and non-payment or dishonor, notice of acceleration, notice of intent to accelerate, notice of intent to demand, diligence in collecting, grace, and all other formalities of any kind, and consent to all extensions without notice for any period or periods of time and partial payments, before or after maturity, and any impairment of any collateral securing this Note, all without prejudice to the holder. The holder shall similarly have the right to deal in any way, at any time, with one or more of the foregoing parties without notice to any other party, and to grant any such party any extensions of time for payment of any of said indebtedness, or to release or substitute part or all of the collateral securing this Note, or to grant any other indulgences or forbearances whatsoever, without notice to any other party and without in any way affecting the personal liability of any party hereunder.

THIS NOTE, AND THE OTHER LOAN DOCUMENTS REFERRED TO HEREIN EMBODY THE FINAL, ENTIRE AGREEMENT BETWEEN MAKER AND PAYEE WITH RESPECT TO THE SUBJECT MATTER HEREOF AND THEREOF AND SUPERSEDE ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS, AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF MAKER AND PAYEE. THERE ARE NO ORAL AGREEMENTS BETWEEN MAKER AND PAYEE.

Address:

SECURITY AGREEMENT-PLEDGE

This SECURITY AGREEMENT-PLEDGE (the "Agreement") is entered into effective as of the __ day of _____, 201_, by and between _____ ("Pledgor") and HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation ("Secured Party").

WHEREAS, Secured Party is extending a loan to Pledgor in the principal amount of $_____.00 (the "Loan"); and

WHEREAS, Secured Party has conditioned his obligation to make the Loan upon, among other things, the execution and delivery of this Agreement by Pledgor.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

SECURITY INTEREST AND PLEDGE

Section 1.1. **Security Interest and Pledge**. Pledgor hereby pledges and grants to Secured Party a first priority security interest in the following property (such property being hereinafter sometimes called the "Collateral"):

(a) All of Pledgor's shares of common stock in Secured Party whether held as of the date hereof or thereafter acquired; and

(b) all products and proceeds of the foregoing shares, now owned or hereafter acquired, including, without limitation, all financial assets, investment securities, investment property, cash, deposit accounts, letter of credit rights, electronic chattel paper, supporting obligations, and payment intangibles, monies, payments, revenues, distributions, dividends, stock dividends, securities, financial assets, security entitlements, substitutions and other property rights and interests related to or arising from the foregoing or that Pledgor is at any time entitled to receive on account of the foregoing.

All terms used in this Agreement that are defined in the Uniform Commercial Code as adopted in the State of Texas shall have the meanings specified in the Uniform Commercial Code as adopted by the State of Texas as in effect from time to time (the "UCC").

Section 1.2. **Obligations**. The Collateral shall secure the following obligations, indebtedness, and liabilities (all such obligations, indebtedness, and liabilities being hereinafter sometimes called the "Obligations"):

(a) the obligations and indebtedness of Pledgor to Secured Party evidenced by that certain promissory note in the original principal amount of $_____.00 of even date herewith, executed by Pledgor and payable to the order of Secured Party (as the same may be renewed, extended, restated and/or supplemented from time to time, the "Note");

(b) all future advances by Secured Party to Pledgor;

(c) all costs and expenses, including, without limitation, all attorneys' fees and legal expenses, incurred by Secured Party to preserve and maintain the Collateral, collect the obligations herein described, and enforce this Agreement;

(d) all other obligations, indebtedness, and liabilities of Pledgor to Secured Party, now existing or hereafter arising, regardless of whether such obligations, indebtedness, and liabilities are similar, dissimilar, related, unrelated, direct, indirect, fixed, contingent, primary, secondary, joint, several, or joint and several; and

(e) all extensions, renewals, and modifications of any of the foregoing and all promissory notes given in renewal, extension or modification of any of the foregoing.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

To induce Secured Party to enter into this Agreement and advance funds under the Note, Pledgor represents and warrants to Secured Party that:

Section 2.1. **Title**. Pledgor owns, and with respect to Collateral acquired after the date hereof, Pledgor will own, legally and beneficially, the Collateral free and clear of any lien, security interest, pledge, claim, or other encumbrance or any right or option on the part of any third person to purchase or otherwise acquire the Collateral or any part thereof, except for the security interest granted hereunder. The Collateral is not subject to any restriction on transfer or assignment except for compliance with applicable federal and state securities laws and regulations promulgated thereunder and that certain Amended and Restated Stockholders' Agreement dated as of March 12, 2014 among Secured Party and the Shareholders of Secured Party, that certain Stock Restriction Agreement between Pledgor and the Secured Party dated of even date herewith, and that certain Share Award Agreement between Pledgor and the Secured Party dated of even date herewith. Pledgor has the unrestricted right to pledge the Collateral as contemplated hereby. All of the Collateral has been duly and validly issued and is fully paid and nonassessable.

Section 2.2. **Pledgor's Principal Address**. Pledgor's principal residence is at the address specified in the Note.

Section 2.3. **Business Purpose**. The Collateral is used, acquired and held exclusively for business purposes and no portion of the Collateral is consumer goods. The Obligations were incurred solely for business purposes and not as a consumer-goods transaction or a consumer transaction.

ARTICLE III

COVENANTS

Pledgor covenants and agrees with Secured Party that until the Obligations are satisfied and performed in full:

Section 3.1. **Encumbrances**. Pledgor shall not create, permit, or suffer to exist, and shall defend the Collateral against, any lien, security interest, or other encumbrance on the Collateral except the pledge and security interest of Secured Party hereunder, and shall defend Pledgor's rights in the Collateral and Secured Party's security interest in the Collateral against the claims of all persons and entities.

Section 3.2. **Sale of Collateral**. Pledgor shall not sell, assign, or otherwise dispose of the Collateral or any part thereof without the prior written consent of Secured Party.

Section 3.3. **Distributions**. If Pledgor shall become entitled to receive or shall receive any stock certificate (including, without limitation, any certificate representing a distribution in connection with any reclassification, increase, or reduction of equity or issued in connection with any reorganization), option or rights, whether as an addition to, in substitution of, or in exchange for any Collateral or otherwise, Pledgor agrees to accept the same as Secured Party's agent and to hold the same in trust for Secured Party, and to deliver the same forthwith to Secured Party in the exact form received, with the appropriate endorsement of Pledgor when necessary or appropriate undated stock powers duly executed in blank, to be held by Secured Party as additional Collateral for the Obligations, subject to the terms hereof. Any sums paid upon or in respect of the Collateral upon the liquidation or dissolution of the issuer thereof shall be paid over to Secured Party to be held by it as additional collateral for the Obligations subject to the terms hereof; and in case any distribution of stock shall be made on or in respect of the Collateral or any property shall be distributed upon or with respect to the Collateral pursuant to any recapitalization or reclassification of the equity of the issuer thereof or pursuant to any reorganization of the issuer thereof, the property so distributed shall be delivered to the Secured Party to be held by it, as additional Collateral for the Obligations, subject to the terms hereof. All sums of money and property so paid or distributed in respect of the Collateral that are received by Pledgor shall, until paid or delivered to Secured Party, be held by Pledgor in trust as additional security for the Obligations.

Section 3.4. **Further Assurances**. At any time and from time to time, upon the request of Secured Party, and at the sole expense of Pledgor, Pledgor shall promptly execute and deliver all such further instruments and documents and take such further action as Secured Party may deem necessary or desirable to preserve and perfect its security interest in the Collateral and carry out the provisions and purposes of this Agreement.

Section 3.5. **Notification**. Pledgor shall promptly notify Secured Party of (i) any lien, security interest, encumbrance, or claim made or threatened against the Collateral, (ii) any material change in the Collateral, including, without limitation, any material decrease in the value of the Collateral, and (iii) the occurrence or existence of any Event of Default (hereinafter defined) or the occurrence or existence of any condition or event that, with the giving of notice or lapse of time or both, would be an Event of Default.

Section 3.6. **Changes**. Pledgor shall not change his name or state of residence unless he shall have given Secured Party thirty (30) days' prior written notice thereof and shall have taken all action deemed necessary or desirable by Secured Party to cause its security interest in the Collateral to be perfected with the priority required by this Agreement.

Section 3.7. **Books and Records; Information**. Pledgor shall keep accurate and complete books and records of the Collateral. Pledgor shall from time to time at the request of Secured Party deliver to Secured Party such information regarding the Collateral and Pledgor as Secured Party may request.

ARTICLE IV

RIGHTS OF SECURED PARTY AND PLEDGOR

Section 4.1. **Power of Attorney**. Pledgor hereby irrevocably constitutes and appoints Secured Party and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead and in the name of Pledgor or in its own name, upon the occurrence of an Event of Default, to take any and all action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, hereby gives Secured Party the power and right on behalf of Pledgor and in its own name to do any of the following, without notice to or the consent of Pledgor:

(a) to demand, sue for, collect, or receive in the name of Pledgor or in his own name, any money or property at any time payable or receivable on account of or in exchange for any of the Collateral and, in connection therewith, endorse checks, notes, drafts, acceptances, money orders, or any other instruments for the payment of money under the Collateral;

(b) to pay or discharge taxes, liens, security interests, or other encumbrances levied or placed on or threatened against the Collateral;

(c) (i) to direct any parties liable for any payment under any of the Collateral to make payment of any and all monies due and to become due thereunder directly to Secured Party or as Secured Party shall direct; (ii) to receive payment of and receipt for any and all monies, claims, and other amounts due and to become due at any time in respect of or arising out of any Collateral; (iii) to sign and endorse any drafts, assignments, proxies, stock powers, verifications, notices, and other documents relating to the Collateral; (iv) to exchange any of the Collateral for other property upon any merger, consolidation, reorganization, recapitalization, or other readjustment of the issuer thereof and, in connection therewith, deposit any of the Collateral with any committee, depositary, transfer agent, registrar, or other designated agency upon such terms as Secured Party may determine; (v) to insure any of the Collateral; and (vi) to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Secured Party were the absolute owner thereof for all purposes, and to do, at Secured Party's option and Pledgor's expense, at any time, or from time to time, all acts and things which Secured Party deems necessary to protect, preserve, or realize upon the Collateral and Secured Party's security interest therein.

This power of attorney is a power coupled with an interest and shall be irrevocable. Secured Party shall be under no duty to exercise or withhold the exercise of any of the rights, powers, privileges, and options expressly or implicitly granted to Secured Party in this Agreement, and shall not be liable for any failure to do so or any delay in doing so. Secured Party shall not be liable for any act or omission or for any error of judgment or any mistake of fact or law in its individual capacity or in its capacity as attorney-in-fact except acts or omissions resulting from its willful misconduct. This power of attorney is conferred on Secured Party solely to protect, preserve, and realize upon its security interest in the Collateral.

Section 4.2. **Voting Rights**. So long as no Event of Default shall have occurred and be continuing, Pledgor shall be entitled to exercise any and all voting rights relating or pertaining to the Collateral or any part thereof.

Section 4.3. **Performance by Secured Party of Pledgor's Obligations**. If Pledgor fails to perform or comply with any of its agreements contained herein and Secured Party itself shall cause performance of or compliance with such agreement, the expenses of Secured Party, together with interest thereon at the maximum nonusurious per annum rate permitted by applicable law, shall be payable by Pledgor to Secured Party on demand and shall constitute Obligations secured by this Agreement.

Section 4.4. **Secured Party's Duty of Care**. Other than the exercise of reasonable care in the physical custody of the Collateral while held by Secured Party hereunder, Secured Party shall have no responsibility for or obligation or duty with respect to all or any part of the Collateral or any matter or proceeding arising out of or relating thereto, including, without limitation, any obligation or duty to collect any sums due in respect thereof or to protect or preserve any rights against prior parties or any other rights pertaining thereto, it being understood and agreed that Pledgor shall be responsible for preservation of all rights in the Collateral. Without limiting the generality of the foregoing, Secured Party shall be conclusively deemed to have exercised reasonable care in the custody of the Collateral if Secured Party takes such action, for purposes of preserving rights in the Collateral, as Pledgor may reasonably request in writing, but no failure or omission or delay by Secured Party in complying with any such request by Pledgor, and no refusal by Secured Party to comply with any such request by Pledgor, shall be deemed to be a failure to exercise reasonable care.

Section 4.5. **Assignment by Secured Party**. Secured Party may from time to time assign the Obligations and any portion thereof and the Collateral or any portion thereof, and the assignee shall be entitled to all of the rights and remedies of Secured Party under this Agreement in relation thereto.

Section 4.6. **Financing Statements**. Pledgor expressly authorizes Secured Party to file financing statements showing Pledgor as debtor covering all or any portion of the Collateral in such filing locations as selected by Secured Party and authorizes, ratifies and confirms any financing statement filed prior to the date hereof by Secured Party in an jurisdiction showing Pledgor as debtor covering all or any portion of the Collateral.

ARTICLE V

DEFAULT

Section 5.1. **Events of Default**. The term "Event of Default" shall mean an Event of Default as defined in the Note.

Section 5.2. **Rights and Remedies**. Upon the occurrence of an Event of Default, Secured Party shall have the following rights and remedies:

(a) Secured Party may declare the Obligations or any part thereof immediately due and payable, without notice, demand, presentment, notice of dishonor, notice of acceleration, notice of intent to accelerate, notice of intent to demand, protest, or other formalities of any kind, all of which are hereby expressly waived by Pledgor; provided, however, that upon the occurrence of an Event of Default under clause (d) or clause (e) of the definition of Event of Default contained in the Note, the Obligations shall become immediately due and payable without notice, demand, presentment, notice of dishonor, notice of acceleration, notice of intent to accelerate, notice of intent to demand, protest, or other formalities of any kind, all of which are hereby expressly waived by Pledgor.

(b) In addition to all other rights and remedies granted to Secured Party in this Agreement and in any other instrument or agreement securing, evidencing, or relating to the Obligations, Secured Party shall have all of the rights and remedies of a secured party under the UCC. Without limiting the generality of the foregoing, Secured Party may (i) without demand or notice to Pledgor, collect, receive, or take possession of the Collateral or any part thereof, and/or (ii) sell or otherwise dispose of the Collateral, or any part thereof, in one or more parcels at public or private sale or sales, at Secured Party's offices or elsewhere, for cash, on credit, or for future delivery. Pledgor agrees that Secured Party shall not be obligated to give more than ten (10) days written notice of the time and place of any public sale or of the time after which any private sale may take place and that such notice shall constitute reasonable notice of such matters. Pledgor shall be liable for all expenses of retaking, holding, preparing for sale, or the like, and all attorneys' fees and other expenses incurred by Secured Party in connection with the collection of the Obligations and the enforcement of Secured Party's rights under this Agreement, all of which expenses and fees shall constitute additional Obligations secured by this Agreement. Secured Party may apply the Collateral against the Obligations in such order and manner as Secured Party may elect in its sole discretion. Pledgor shall remain liable for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay the Obligations. Pledgor waives all rights of marshalling in respect of the Collateral.

(c) Secured Party may cause any or all of the Collateral held by it to be transferred into the name of Secured Party or the name or names of Secured Party's nominee or nominees.

(d) Secured Party shall be entitled to receive all cash dividends payable in respect of the Collateral.

(e) Secured Party shall have the right, but shall not be obligated to, exercise or cause to be exercised all voting rights and corporate powers in respect of the Collateral, and Pledgor shall deliver to Secured Party, if requested by Secured Party, irrevocable proxies with respect to the Collateral in form satisfactory to Secured Party.

(f) Pledgor hereby acknowledges and confirms that Secured Party may be unable to effect a public sale of any or all of the Collateral by reason of certain prohibitions contained in the Securities Act of 1933, as amended, and applicable state securities laws and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers who will be obligated to agree, among other things, to acquire any shares of the Collateral for their own respective accounts for investment and not with a view to distribution or resale thereof. Pledgor further acknowledges and confirms that any such private sale may result in prices or other terms less favorable to the seller than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner, and Secured Party shall be under no obligation to take any steps in order to permit the Collateral to be sold at a public sale. Secured Party shall be under no obligation to delay a sale of any of the Collateral for any period of time necessary to permit any issuer thereof to register such Collateral for public sale under the Securities Act of 1933, as amended, or under applicable state securities laws.

(g) On any sale of the Collateral, Secured Party is hereby authorized to comply with any limitation or restriction with which compliance is necessary, in the view of Secured Party's counsel, in order to avoid any violation of applicable law or in order to obtain any required approval of the purchaser or purchasers by any applicable governmental authority.

(h) On any sale of the Collateral, Secured Party is authorized to disclaim any warranty, express or implied. Pledgor acknowledges and agrees that the foregoing action by Secured Party may result in a diminution of the proceeds from any such sale of Collateral.

ARTICLE VI

MISCELLANEOUS

Section 6.1. **Expenses**. Pledgor agrees to pay on demand all costs and expenses incurred by Secured Party in connection with the preparation, negotiation, execution and enforcement of this Agreement and any and all amendments, modifications, and supplements hereto.

Section 6.2. **No Waiver; Cumulative Remedies**. No failure on the part of Secured Party to exercise and no delay in exercising, and no course of dealing with respect to, any right, power, or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power, or privilege under this Agreement preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The rights and remedies provided for in this Agreement are cumulative and not exclusive of any rights and remedies provided by law.

Section 6.3. **Successors and Assigns**. This Agreement shall be binding upon and inure to the benefit of Pledgor and Secured Party and their respective heirs, successors, and assigns, intestate survivors and legal representatives and executors, as applicable, except that Pledgor may not assign any of its rights or obligations under this Agreement without the prior written consent of Secured Party.

Section 6.4. **Notices**. All notices and other communications provided for in this Agreement shall be given as provided in the Note; provided, however, that notwithstanding the foregoing, all notices under UCC Sections 9.208 (relating to the release of deposit accounts, electronic chattel paper, investment property and letter of credit rights), 9.209 (relating to account debtors that have been notified of the assignment to the Secured Party), 9.210 (relating to a request for accounting), 9.513 (relating to requests for termination statements) and 9.616 (explanation of calculations of surplus or deficiency) shall be effective only if sent to the following address:

Houston International Insurance Group, Ltd.
800 Gessner, Suite 600
Houston, Texas 77024

Section 6.5. **Applicable Law; Venue; Service of Process**. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas and the applicable laws of the United States of America. This Agreement has been entered into in Harris County, Texas, and it shall be performable for all purposes in Harris County, Texas. Any action or proceeding against Pledgor under or in connection with this Agreement or any other instrument or agreement securing, evidencing, or relating to the Obligations or any part thereof may be brought in any state or federal court in Harris County, Texas, and Pledgor hereby irrevocably submits to the nonexclusive jurisdiction of such courts, and waives any objection it may now or hereafter have as to the venue of any such action or proceeding brought in such court. Pledgor agrees that service of process upon it may be made by certified or registered mail, return receipt requested, at its address specified in the Note. Nothing in this Agreement or any other instrument or agreement securing, evidencing, or relating to the Obligations or any part thereof shall affect the right of Secured Party to serve process in any other manner permitted by law or shall limit the right of Secured Party to bring any action or proceeding against Pledgor or with respect to any of the Collateral in any state or federal court in any other jurisdiction. Any action or proceeding by Pledgor against Secured Party shall be brought only in a court located in Harris County, Texas.

Section 6.6. **Headings**. The headings, captions, and arrangements used in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

Section 6.7. **Survival of Representations and Warranties**. All representations and warranties made in this Agreement or in any certificate delivered pursuant hereto shall survive the execution and delivery of this Agreement, and no investigation by Secured Party shall affect the representations and warranties or the right of Secured Party to rely upon them.

Section 6.8. **Counterparts**. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 6.9. **Severability**. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 6.10. **Obligations Absolute**. The obligations of Pledgor under this Agreement shall be absolute and unconditional and, except upon payment and performance of the Obligations in full, shall not be released, discharged, reduced, or in any way impaired by any circumstance whatsoever, including, without limitation, any amendment, modification, extension, or renewal of this Agreement, the Obligations, or any document or instrument evidencing, securing, or otherwise relating to the Obligations, or any release, subordination, or impairment of collateral, or any waiver, consent, extension, indulgence, compromise, settlement, or other action or inaction in respect of this Agreement, the Obligations, or any document or instrument evidencing, securing, or otherwise relating to the Obligations, or any exercise or failure to exercise any right, remedy, power, or privilege in respect of the Obligations.

Section 6.11. ENTIRE AGREEMENT; AMENDMENT. THIS AGREEMENT AND THE OTHER DOCUMENTS REFERRED TO HEREIN EMBODY THE FINAL, ENTIRE AGREEMENT AMONG THE PARTIES HERETO AND SUPERSEDE ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS, AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF THE PARTIES HERETO. THERE ARE NO ORAL AGREEMENTS AMONG THE PARTIES HERETO. THE PROVISIONS OF THIS AGREEMENT MAY BE AMENDED OR WAIVED ONLY BY AN INSTRUMENT IN WRITING SIGNED BY THE PARTIES HERETO.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first set forth above.

PLEDGOR:

_____

_____

SECURED PARTY:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.,
a Delaware corporation

By: _____
[●], [●]

SHARE AWARD AGREEMENT

This SHARE AWARD AGREEMENT (the "Agreement") is entered into effective as of the __ day of _____, 201_ (the "Grant Date"), by and between HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation (the "Corporation"), and _____ ("Executive").

WHEREAS, Executive is an employee of the Corporation or a subsidiary thereof;

WHEREAS, Executive has purchased certain shares of common stock of the Corporation from the Corporation pursuant to a Stock Purchase Agreement of even date herewith (the "Stock Purchase");

WHEREAS, the Corporation desires to grant an award of Restricted Stock (as hereinafter defined) corresponding to the Stock Purchase to Executive on the terms and conditions hereof and subject to the restrictions set forth herein as an incentive for Executive's performance of services for such subsidiary;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained and other good and valuable consideration, the parties hereto agree as follows:

1. **Grant of Restricted Stock.**

(a) As of the Grant Date, and subject to the terms and conditions of this Agreement, the Corporation hereby awards, grants, and conveys to Executive _____ shares of common stock of the Corporation (the "Restricted Stock").

(b) The Restricted Stock shall be registered in Executive's name as of the Grant Date in the records of the Corporation, but shall be restricted as described herein during the period prior to the vesting of such Restricted Stock in accordance with Section 3 (the "Restriction Period").

(c) During the Restriction Period, any certificates representing the Restricted Stock shall carry the following legend evidencing the restrictions of this Agreement:

"THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A SHARE AWARD AGREEMENT BETWEEN THE CORPORATION AND THE REGISTERED HOLDER, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THE CORPORATION."

(d) Subject to the restrictions set forth in Section 2, Executive shall have all the rights of a stockholder with respect to the Restricted Stock, including any applicable voting and dividend rights.

(e) If, from time to time during the Restriction Period, there is any stock dividend, stock split, reorganization, recapitalization, or other extraordinary corporate transaction which results in the issuance of any new or additional shares or securities or different shares or securities to the shareholders of the Corporation, such new or additional or different shares or securities to which Executive is entitled by reason of his ownership of the Restricted Stock shall be considered "Restricted Stock" for purposes of this Agreement and shall be subject to the restrictions described in Section 2 during the Restriction Period.

2. **Restrictions.**

(a) During the Restriction Period, Executive shall not sell, transfer, pledge, assign, alienate, hypothecate, or otherwise encumber or dispose of any unvested shares of Restricted Stock other than by will or the laws of descent and distribution. Any attempt to do so contrary to the foregoing shall be null and void.

(b) The then unvested Restricted Stock shall be automatically forfeited and returned to the Corporation without the payment of any consideration, and Executive shall have no rights with respect to such forfeited Restricted Stock, upon the occurrence of any of the following prior to the end of the Restriction Period: (1) any termination of employment of Executive unless (i) Executive is simultaneously hired by the Corporation or one of its subsidiaries, (ii) the termination of employment is by Executive's employer, under circumstances that do not constitute a For Cause Termination, as defined in that certain Stock Restriction Agreement dated of even date herewith between the Corporation and Executive (the "Stock Restriction Agreement"), or (iii) the termination of employment is by Executive under circumstances that constitute a Good Reason Termination, as defined in the Stock Restriction Agreement; or (2) any Event of Default under that certain Promissory Note (the "Note") of even date herewith delivered by Executive to the Corporation pursuant to the Purchase Agreement (defined below).

(c) Upon any breach by Executive of Article II of the Stock Restriction Agreement at any time, (i) any Restricted Stock (whether vested or unvested) then held by Executive shall be automatically forfeited and returned to the Corporation without the payment of any consideration, and Executive shall have no rights with respect to such forfeited Restricted Stock and (ii) the amount of any pre-tax tax gain realized by Executive on any prior transfers of Restricted Stock, as determined by the Corporation in its discretion, or, if applicable, such lesser amount as shall be determined to be the maximum reasonable and enforceable amount by a court, shall be immediately payable by the Executive to the Corporation.

(d) The obligations of Executive set forth in this Agreement shall survive any termination of this Agreement and Executive's employment with the Corporation or any of its direct or indirect parents or subsidiaries or entities under common control with the Corporation (collectively, "Affiliates").

(e) By accepting this Agreement, the Executive consents to a deduction from any amounts the Corporation or its Affiliates may owe to the Executive from time to time to the full extent of any monetary amounts due to the Corporation from the Executive. Without regard to whether the Corporation elects to make any set-off in whole or in part, if the Corporation does not recover by means of set-off the full amount due to it from the Executive, calculated as set forth above, the Executive agrees to immediately pay the unpaid balance thereof to the Corporation.

3. **Vesting.**

(a) The interest of Executive in the Restricted Stock shall vest in proportion to the percentage of the aggregate purchase price payable under that certain Share Purchase Agreement of even date herewith between the Corporation and Executive providing for the purchase of additional shares by Executive (the "Purchase Agreement") that has been paid in cash by Executive, provided that Executive remains employed by the Corporation or one of its direct or indirect subsidiaries at the time of a payment. Accordingly, thirty percent (30%) of the Restricted Stock shall vest on the Grant Date, and the remainder of the Restricted Stock shall vest as and when principal payments are made under the Note, provided that Executive remains employed by the Corporation or an Affiliate at the time of payment.

(b) Notwithstanding the foregoing, the interest of Executive in the Restricted Stock shall vest as to all (100%) of the then unvested Restricted Stock upon a Change of Control of the Corporation or an IPO (as defined below). As used herein, (i) "Change of Control" means a sale of substantially all of the assets of the Corporation or the acquisition by any Person, other than any Person that holds more than 20% of the stock of the Corporation on the Grant Date, of direct or indirect ownership of more than 50% of the fully diluted voting stock of the Corporation, (ii) "Person" means any person or entity and each other person and entity that directly or indirectly controls, or is controlled by or under common control with, the specified person or entity; and (iii) "IPO" means the initial underwritten public offering of equity securities of the Corporation pursuant to an effective registration statement under the Securities Act of 1933, other than pursuant to a registration statement on Form S-4 or Form S-8 or any similar or successor form.

4. **Delivery of Share Certificates; Compliance with Securities Laws.** Upon the vesting of any Restricted Stock granted hereunder, and subject to any adjustment to such Restricted Stock under Section 6, the Corporation shall record such stock as unrestricted or deliver to Executive certificates evidencing such Restricted Stock. Nothing herein shall obligate the Corporation to register the Restricted Stock pursuant to any applicable securities law or to take any other affirmative action in order to cause the issuance or transfer of the Restricted Stock to comply with any law or regulation of any governmental authority.

5. **Stockholders' Agreement.** Executive agrees that all shares of stock issued under this Agreement shall be subject to that certain Amended and Restated Stockholders' Agreement dated as of March 12, 2014 among the Corporation and its stockholders (the "Stockholders' Agreement"). Executive agrees to execute and deliver such instruments as may be reasonably requested by the Corporation to evidence Executive's agreement that Executive and Executive's shares of stock in the Corporation are bound by and subject to the Stockholders' Agreement. Executive further agrees that all certificates evidencing shares of stock in the Corporation issued to Executive may be endorsed with a conspicuous legend referencing the Stockholders' Agreement.

6. **Tax Consequences; Tax Withholding.**

(a) Executive shall be responsible for his own tax liability that arises as the result of this Agreement. Executive acknowledges and understands that he may make an election under Section 83(b) of the Code within 30 days after the Grant Date.

(b) Executive shall pay to the Corporation, or make arrangements satisfactory to the Corporation regarding payment to the Corporation of, the aggregate amount of any federal, state, and local income, employment, Social Security, Medicare, and other taxes that the Corporation is required to withhold in connection with the Restricted Stock, including, but not limited to, the issuance, vesting, or disposition of the Restricted Stock. The Corporation shall have the right to, at its option: (i) deduct any such taxes from any amounts paid to Executive by the Corporation or any subsidiary of the Corporation; and (ii) redeem a portion of the Restricted Stock having a Book Value equal to such taxes, in consideration of the payment of such taxes by the Corporation. "Book Value" means the aggregate book value of the Corporation as of the last day of the last full calendar quarter preceding the date of the event giving rise to such option determined in accordance with generally accepted accounting principles in the United States (applied on a basis consistent with the accounting principles, practices and methodologies used in the past by the Corporation, with such deviations as referred to in the notes thereto and except for normal, recurring adjustments), multiplied by the ratio that the number of shares of Restricted Stock redeemed bears to all outstanding shares of common stock of the Corporation, fully diluted by any vested stock options or preferred stock convertible into common stock.

7. **Notices.** Every notice or other communication relating to this Agreement shall be in writing, and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by him in a notice mailed or delivered to the other party. Unless and until some other address is so designated, all notices or communications by Executive to the Corporation shall be mailed or delivered to the Corporation at 800 Gessner, Suite 600, Houston, Texas 77024, Attention: President, and all notices or communications by the Corporation to Executive shall be mailed or delivered to Executive's address specified on the signature page to this Agreement.

8. **Amendments and Waivers.** Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by the Corporation and Executive, or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by any party in exercising any right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. To the maximum extent permitted by law, (a) no waiver that may be given by a party shall be applicable except in the specific instance for which it was given and (b) no notice to or demand on one party shall be deemed to be a waiver of any obligation of such party or the right of the party giving such notice or demand to take further action without notice or demand.

9. **No Right to Continued Service.** This Agreement does not confer upon Executive any right to remain in the employ of the Corporation or any subsidiary of the Corporation, nor shall it interfere in anyway with the right of the Corporation and its subsidiaries to terminate or change the conditions of his employment at any time.

10. **Successors and Assigns; Binding Effect.** This Agreement, and the rights and obligations of Executive hereunder, may not be assigned by Executive other than by will or the laws of descent and distribution. All of the terms and provisions of this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective executors, heirs, personal representatives, successors, and permitted assigns.

11. **Entire Agreement.** This Agreement and the other agreements referenced herein set forth the entire understanding of the parties hereto with respect to the grant of the Restricted Stock to Executive. Any and all previous agreements and understandings between or among the parties regarding the subject matter hereof, whether written or oral, are superseded by this Agreement.

12. **Interpretation.** The meaning assigned to each term defined herein shall be equally applicable to both the singular and the plural forms of such term and vice versa, and words denoting either gender shall include both genders as the context requires. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning. The terms "hereof," "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement. When a reference is made in this Agreement to a Section, such reference is to a Section of this Agreement unless otherwise specified. The word "include", "includes", and "including" when used in this Agreement shall be deemed to be followed by the words "without limitation", unless otherwise specified. A reference to any party to this Agreement or any other agreement or document shall include such party's predecessors, successors, and permitted assigns. Reference to any law means such law as amended, modified, codified, replaced, or reenacted, and all rules and regulations promulgated thereunder. All captions contained in this Agreement are for convenience of reference only, do not form a part of this Agreement, and shall not affect in any way the meaning or interpretation of this Agreement. The parties have participated jointly in the negotiation and drafting of this Agreement; therefore any rule of construction or interpretation otherwise requiring this Agreement to be construed or interpreted against any party by virtue of the authorship of this Agreement shall not apply to the construction and interpretation hereof.

13. **Severability.** Any provision of this Agreement which is invalid or unenforceable in any applicable jurisdiction shall be ineffective to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

14. **Governing Law and Venue.** This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without regard to the conflicts of laws principles thereof. To the maximum extent practicable this Agreement calls for performance and shall be performable at the offices of the Corporation in Houston, Harris County, Texas and venue for any dispute arising hereunder shall lie exclusively in the state and/or federal courts of Harris County, Texas and the Southern District of Texas, Houston Division, respectively.

15. **Signature in Counterparts.** This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. The parties agree that the delivery of this Agreement may be effected by means of an exchange of facsimile signatures which shall be deemed original signatures thereof.

16. **Section 409A**. To the extent of any compliance issues or ambiguous terms, this Agreement shall be construed in such a manner so as to comply with the requirements of section 409A of the Internal Revenue Code of 1986, as amended (the "Code"). If any provision of this Agreement would cause Executive to occur any additional tax under Code section 409A, the parties will in good faith attempt to reform the provision in a manner that maintains, to the extent possible, the original intent of the applicable provision without violating the provisions of Code section 409A.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in multiple originals effective as of the Grant Date.

CORPORATION:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.,
a Delaware corporation

By: _____
[●], [●]

EXECUTIVE:

_____

_____

Address:

STOCK RESTRICTION AGREEMENT

This STOCK RESTRICTION AGREEMENT (the "Agreement") is entered into effective as of the __ day of _____, 201_, by and between _____ (the "Shareholder") and HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation (the "Corporation"). Other capitalized terms used herein are defined in Article IV hereof.

WHEREAS, the Shareholder owns certain shares (the "Shares") of the issued and outstanding stock of the Corporation;

WHEREAS, the Corporation has made a loan to the Shareholder to finance the acquisition of a portion of the Shares, pursuant to a Share Purchase Agreement (the "Share Purchase Agreement") between Shareholder and Corporation of even date herewith, which loan is evidenced by a Promissory Note of even date herewith executed by the Shareholder and payable to the order of the Corporation (the "Note");

WHEREAS, the remainder of the Shares were granted to Shareholder pursuant to a Share Award Agreement on even date herewith (the "Share Award Agreement");

WHEREAS, transfer of the Shares is restricted pursuant to the terms of that certain Amended and Restated Stockholders' Agreement among the Corporation and its stockholders (the "Stockholders' Agreement"); and

WHEREAS, the parties mutually agree that it is to their mutual benefit to further restrict the assignability of the Shares and to provide for the purchase of such Shares under certain specified conditions.

NOW, THEREFORE, in consideration of the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I

TRANSFERS AND PURCHASE EVENTS

Section 1.1 **Restriction on Transfers.**

(a) No Shares can or shall be Transferred without the written approval of the Corporation prior to the earlier of a Change of Control or an IPO (as hereinafter defined).

(b) Upon a Change of Control, Shares may only be Transferred if the following conditions are met: (i) within two years of the date of the Change in Control, the Shareholder may only Transfer up to that portion of the Shares for which he receives consideration equal to the sum of (a) the full amount of principal and accrued interest then due under the Note and (b) any taxes the Shareholder is required to pay with respect to the Shares; (ii) all Transfers must be in compliance with the restrictions of the Stockholders' Agreement; and (iii) all Transfers must be in transactions registered under the Securities Act of 1933 or in transactions exempt from such registration.

(c) Upon an IPO, Shares may only be Transferred if the following conditions are met: (i) within two years of the date of the IPO, the Shareholder may only Transfer up to that portion of the Shares for which he receives consideration equal to the sum of (a) the full amount of principal and accrued interest then due under the Note and (b) any taxes the Shareholder is required to pay with respect to the Shares; (ii) all Transfers must be in compliance with the restrictions of the Stockholders' Agreement; (iii) all Transfers must be in transactions registered under the Securities Act of 1933 or in transactions exempt from such registration; and (iv) if within 30 days prior to the date of the IPO, the Corporation makes a Repurchase Offer, Shareholder may only Transfer shares pursuant to the Repurchase Offer (as hereinafter defined).

(d) As used herein, (i) "Change of Control" means a sale of substantially all of the assets of the Corporation or the acquisition by any Person, other than any Person that holds more than 20% of the stock of the Corporation on the Grant Date, of direct or indirect ownership of more than 50% of the fully diluted voting stock of the Corporation, (ii) "Person" means any person or entity and each other person and entity that directly or indirectly controls, or is controlled by or under common control with, the specified person or entity; (iii) "IPO" means the initial underwritten public offering of equity securities of the Corporation pursuant to an effective registration statement under the Securities Act of 1933, other than pursuant to a registration statement on Form S-4 or Form S-8 or any similar or successor form; and (iv) "Repurchase Offer" means an offer by the Corporation to purchase Shares from the Shareholder in immediately available funds at either the Book Value Purchase Price or the per share price to be paid in the IPO, which offer the Shareholder is given at least 10 days to consider.

Section 1.2 **Effect of Attempted Disposition in Violation of this Agreement.** Any attempted Transfer of any Shares in breach of this Agreement shall be null and void and of no effect whatever.

Section 1.3 **Purchase of Interest upon Certain Events.**

(a) **Voluntary Good Reason Termination or Involuntary Termination without Cause**. If the Shareholder ceases to be employed by an Employer due to a Good Reason Termination or a termination by Employer not constituting a For Cause Termination, then the Corporation shall have the option to purchase all of the Shareholder's Shares (whether acquired pursuant to the Share Award Agreement, the Share Purchase Agreement, or otherwise), commencing on the date of such cessation, for a purchase price equal to the Book Value Purchase Price.

(b) **Voluntary Termination Without Good Reason or Involuntary Termination for Cause; Event of Default and Certain Violations**. In the event of: (1) a termination of employment of Shareholder with an Employer by Shareholder not constituting a Good Reason Termination or a For Cause Termination by an Employer, (2) an Event of Default (as defined in the Note) occurs, or (3) the Shareholder breaches any of the provisions of Article II hereof, then the Corporation shall have the option to purchase all of the Shareholder's Shares (whether acquired pursuant to the Share Award Agreement, the Share Purchase Agreement, or otherwise), commencing on the date of such termination or breach, for a purchase price equal to the lower of the General Purchase Price or the Book Value Purchase Price.

(c) **Involuntary Assignment Event**. Upon the occurrence of an Involuntary Assignment Event with respect to the Shareholder, the Corporation shall have the option, commencing on the date of such Involuntary Assignment Event, to purchase from the Shareholder or the legal representative or transferee of the Shareholder, the Shareholder's Shares for a purchase price equal to the lower of the General Purchase Price or the Book Value Purchase Price.

(d) **Payment of Purchase Price**. The purchase price shall be paid in the form of immediately available funds.

(e) **Option**. For one hundred eighty (180) days after the event giving rise to the option under this Section 1.3, the Corporation or any other Person or Persons designated by the Corporation shall have the option to purchase the Shares pursuant to this Section 1.3.

(f) **Exercise of Option and Closing**. Any option under this Agreement may be exercised by giving written notice of such exercise to the Shareholder or holder of an interest in Shares within the applicable option period. The closing of a purchase and sale pursuant to this Section 1.3 shall be held at a place designated by the Corporation ninety (90) days following the exercise of an option hereunder. At such closing, (a) the selling party shall assign his entire interest in the Shares to the purchasing party, free and clear of all liens, claims, and encumbrances (other than those created by this Agreement), and shall execute and deliver to the purchasing party all documents which may be reasonably required to give effect to such purchase and sale; and (b) the purchasing party shall pay to the selling party the purchase price for the selling party's interest in the Shares in the form as provided in Section 1.3(d) of this Agreement.

Section 1.4 **[Reserved.]**

Section 1.5 **Distributions**. If Shareholder shall become entitled to receive or shall receive any stock certificate (including, without limitation, any certificate representing a distribution in connection with any reclassification, increase, or reduction of equity or issued in connection with any reorganization), option or rights, share dividend, restricted share grant, or other issuance of equity in the Corporation from and after the date of this Agreement, whether as an addition to, in substitution of, or in exchange for any Shares or otherwise, Shareholder agrees that such stock certificate or other distribution shall be subject to the terms hereof; and in case any distribution of stock shall be made on or in respect of the Shares pursuant to any recapitalization or reclassification of the equity of the issuer thereof or pursuant to any reorganization of the issuer thereof, the stock so distributed shall be subject to the terms hereof.

ARTICLE II

NON-SOLICITATION

Section 2.1 **Non-Solicitation.** In consideration of these premises and as inducement for the Corporation to enter into this Agreement and the Corporation's directive that the Employer provide the Shareholder with access to the confidential and proprietary information of the Employer and with training in the methods of operations of the Employer, subject to the limitations set forth herein, Shareholder agrees to each of the following restrictions for the time periods as specified below:

(a) **Restricted Business Relations**. During Executive's employment with the Company and for an additional period of 24 months following any termination of such employment, Executive shall not, directly or indirectly, either for her/himself or any other person, other than on behalf of the Company, entice, induce, persuade, attempt to persuade or otherwise cause the Company's customers, service providers, producers or brokers to terminate, reduce or diminish their relationship with the Company, including accepting any business from any customer who was a customer of the Company's within 12 months of Executive's termination. This Section 2.1(a) applies to business and relationships related to the Division or programs in which Executive worked, but does not apply to any subscription business.

(b) **Non-Solicitation of Employees**. During Shareholder's employment with the Employer and for an additional period of 24 months following any termination of such employment, Shareholder shall not, directly or indirectly, either for herself or any other person: (1) induce or attempt to induce any then current employee of the Employer or any of its direct or indirect parents or subsidiaries or entities under common control with the Employer (collectively, "Affiliates") to leave the employ of the Employer or its Affiliates; (2) in any way interfere with the relationship between the Employer or its Affiliates and any then current employee of the Employer or its Affiliates; or (3) other than on behalf of the Employer or its Affiliates, employ, or otherwise engage as an employee, independent contractor, consultant, or otherwise, any current employee or any former employee who was employed by the Employer or its Affiliates during Shareholder's tenure with the Employer.

(c) **Non-Disparagement**. During Shareholder's employment with the Employer and for an additional period of 24 months following any termination of such employment, Shareholder shall not, except as required by applicable law or compelled by legal process, (i) make any derogatory, disparaging or critical statement about the Corporation or any of its present or former officers, directors, employees, shareholders, parents or subsidiaries or (ii) without the prior written consent of the Corporation, communicate, directly or indirectly, with the press or other media concerning the Corporation or the present or former employees or business of the Corporation.

Section 2.2 **Remedies.** The Employer shall be a third party beneficiary of the obligations of the Shareholder hereunder. The Shareholder acknowledges and agrees that any violation of this Article II will result in irreparable injury to the Corporation and the Employer and that damages at law would not be reasonable or adequate compensation to the Corporation and the Employer for a violation of this Article. Accordingly, in the event that the Shareholder breaches any of the covenants set forth in this Article II: (i) the term of such covenant will be extended by the period of the duration of such breach; (ii) the Corporation and the Employer will be entitled to receive from the Shareholder any and all damages, losses or expenses related thereto or arising therefrom; (iii)(X) any Restricted Stock (as defined in the Share Award Agreement) (whether vested or unvested) then held by Shareholder shall be automatically forfeited and returned to the Corporation without the payment of any consideration, and Shareholder shall have no rights with respect to such forfeited Restricted Stock; and (Y) the amount of any pre-tax tax gain realized by Shareholder on any prior transfers of Restricted Stock, as determined by the Corporation in its discretion, or, if applicable, such lesser amount as shall be determined to be the maximum reasonable and enforceable amount by a court, shall be immediately payable by the Shareholder to the Corporation; and (iv) the Corporation and the Employer will be entitled to obtain injunctive or other equitable relief to restrain any breach or threatened breach or otherwise to specifically enforce the provisions of Article II without the necessity of proving actual damages and without posting bond or other security as well as to an equitable accounting of all earnings, profits and other benefits arising out of any violation of Article II of this Agreement.

Section 2.3 **Set-off rights**. By accepting this Agreement, the Shareholder consents to a deduction from any amounts the Corporation or the Employer may owe to the Shareholder from time to time to the full extent of any monetary amounts due to the Corporation or the Employer from the Shareholder. Without regard to whether the Corporation elects to make any set-off in whole or in part, if the Corporation or the Employer does not recover by means of set-off the full amount due to it from the Shareholder, calculated as set forth above, the Shareholder agrees to immediately pay the unpaid balance thereof to the Corporation or the Employer, as applicable.

Section 2.4 **Scope**. The Shareholder acknowledges and agrees that the provisions of and scope of this Article are reasonable and necessary to protect the legitimate interests of the Corporation and the Employer and will not prevent the Shareholder from earning a livelihood. If, however, for any reason, any court of competent jurisdiction determines that the restrictions set forth in Section 2.1 are not reasonable, that the consideration is inadequate, or that Shareholder has been prevented from earning a livelihood, such restrictions shall be interpreted, modified, or rewritten to include as much of the duration and scope identified in Section 2.1 as will render such restrictions valid and enforceable. The obligations of Shareholder set forth in Article II shall survive any termination of this Agreement and Shareholder's employment with Employer.

ARTICLE III

DEFINITIONS

Section 3.1 **Terms Defined**. When used in this Agreement, the following terms shall have the meanings set forth below:

"Book Value Purchase Price" shall mean, with respect to Shares of common stock of the Corporation or an interest therein that are subject to a purchase option under Section 1.3(a), (b), or (c) hereof, the aggregate book value of the Corporation as of the last day of the last full calendar quarter preceding the date of the event giving rise to such option determined in accordance with generally accepted accounting principles in the United States (applied on a basis consistent with the accounting principles, practices and methodologies used in the past by the Corporation, with such deviations as referred to in the notes thereto and except for normal, recurring adjustments), multiplied by the ratio that the number of Shares of common stock or interest therein that are subject to such purchase option bears to all outstanding shares of common stock of the Corporation, fully diluted by any vested stock options or preferred stock convertible into common stock.

"Employer" shall mean the Corporation, or any entity in which the Corporation owns a direct or indirect interest, or any successor to any such entity.

"For Cause Termination" shall mean termination of Shareholder's employment by Employer for (i) the Shareholder's willful and continued failure to perform his material duties with respect to an Employer which continues beyond fifteen (15) days after a written demand for substantial performance is delivered to him by the Employer, (ii) willful misconduct by the Shareholder involving dishonesty, or breach of trust in connection with his employment hereunder, (iii) indictment of the Shareholder for, or a plea of guilty or nolo contendere to, any felony or any misdemeanor involving moral turpitude, (iv) willful failure by the Shareholder to comply in all material respects with an Employer's code of business conduct which continues beyond fifteen (15) days after written demand for substantial compliance is delivered to him by the Employer, or (v) willful breach by the Shareholder of any of the material covenants in any employment agreement he may have with an Employer which continues beyond fifteen (15) days after written demand to remedy the breach.

"General Purchase Price" means, with respect to Shares or interest therein that are subject to a purchase option under Section 1.3(b) or (c) hereof, the purchase price paid by the Shareholder for such Shares or interest therein.

"Good Reason Termination" shall mean a termination of employment by Shareholder within ninety (90) days following (in each case without the Shareholder's written consent): (i) a material diminution in the Shareholder's duties or responsibilities; (ii) any request that the Shareholder relocate his primary place of business more than one hundred (100) miles or (iii) Employer materially breaches the terms of any employment agreement it has with Shareholder; provided that the Employer shall have thirty (30) days after receipt of notice from the Shareholder in writing specifying the deficiency to cure the deficiency that would result in a Good Reason Termination.

"Involuntary Assignment Event" means, with respect to the Shareholder, the acquisition by the Corporation of knowledge of any of the following: any loan to the Shareholder (other than that evidenced by the Note) secured by the Shares or guaranteed by the Shareholder shall be in default; the filing by the Shareholder of any petition or action for relief under any bankruptcy, reorganization, insolvency, or moratorium law, or any law for the relief of, or relating, to debtors; the expiration of ten (10) days following the filing of an involuntary petition under any bankruptcy statute against the Shareholder, or the appointment of a custodian, receiver, sequestrator, trustee, assignee for the benefit of creditors, or other similar official to take possession, custody, or control of any of the properties of the Shareholder, unless such petition or appointment is set aside or withdrawn or ceases to be in effect within ten (10) days from the date of such filing or appointment; the expiration of ten (10) days following the levy of a writ of execution, attachment, garnishment, or other similar process of law against any of the Shares of the Shareholder, unless such writ is paid, released, quashed, or bonded within ten (10) days following the date of such levy; or any act, demand, or attempt to realize upon any of the Shares of the Shareholder as collateral security for any indebtedness or obligation. If the Shareholder suffers any of such events, he shall have the duty to give prompt notice thereof to the Corporation.

"Person" shall mean an individual, partnership, joint venture, corporation, trust, limited liability company, estate or other entity or organization.

"Transfer" shall mean the sale, transfer, gift, conveyance, assignment, pledge, hypothecation, mortgage or other encumbrance or disposition of all or any part of the Shares.

ARTICLE IV

MISCELLANEOUS

4.1 **Binding Effect**. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto, and any additional parties hereto, and their executors, administrators, personal representatives, heirs, agents, legatees, successors, and assigns.

4.2 **Additional Documents**. All parties hereto agree to execute any and all documents and to perform any and all other acts reasonably necessary to accomplish the purposes of this Agreement, including, but not limited to, the furnishing of releases and evidence of payment upon completion of a sale hereunder.

4.3 **Sale of Entire Interest**. All parties agree that any purchase or sale of all of the Shares of the Shareholder contemplated by and described in this Agreement shall constitute a sale and purchase of any and all interest, claim, title, and right of the Shareholder and his successors and assigns in or to the Corporation, including, without limitation, the goodwill, accounts receivable, contract rights, accrued time, and all other property or assets of the Corporation, tangible or intangible. All parties further agree and acknowledge that consideration has been and will be given to all of these factors in determining the purchase price as described and established herein.

4.4 **Specific Performance**. If any party subject to this Agreement fails or refuses to fulfill the obligations required to be made or delivered by it by this Agreement, or to make any payment or deliver any instrument required to be made or delivered by it by this Agreement, then any other party hereto shall have the remedy of specific performance, which remedy shall be cumulative and nonexclusive and shall be in addition to any other remedies at law or in equity to which such party might be entitled.

4.5 **Attorneys' Fees.** If this Agreement, or any part hereof, or any obligation described herein is placed in the hands of an attorney for collection or enforcement, then the party seeking such enforcement or collection shall be entitled to recover reasonable attorneys' fees and expenses in addition to such collection or enforcement.

4.6 **Governing Law.** This Agreement is made pursuant to and shall be construed under the laws of the State of Texas, without regard to the conflicts of laws principles thereof. Any payments becoming due hereunder, and any obligations performable hereunder, shall be payable and performable in Harris County, Texas.

4.7 **Entire Agreement.** This Agreement, the Stockholders' Agreement, the Note, the Share Purchase Agreement, the Share Award Agreement, and that certain Security Agreement of even date herewith between the Corporation and Executive and other ancillary documents related thereto constitute the entire agreement of the parties, and supersede all prior agreements, understandings, or documents, with respect to the subject matter hereof.

4.8 **Amendment and Waiver**. This Agreement may be amended, modified, superseded, or cancelled, and any of the terms, provisions, covenants, representations, warranties, or conditions contained herein may be waived only by a written instrument executed by all parties hereto or, in the case of a waiver, by the party waiving compliance. The failure of any party at any time to require performance of any provision hereof shall in no manner affect the right to enforce such provision or constitute a continuing waiver of such provision.

4.9 **Pronouns.** All pronouns, nouns, and other terms used in this Agreement shall include the masculine, feminine, neuter, singular, and plural forms thereof, wherever appropriate to the context.

4.10 **Severability**. Subject to Section 2.4, any provision of this Agreement which is invalid or unenforceable in any applicable jurisdiction shall be ineffective to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

4.11 **Multiple Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

4.12 **Headings; Sections**. The captions or headings contained in this Agreement are inserted and included solely for convenience and shall never be considered or given any effect in construing the provisions hereof if any question of intent should arise. References herein to a "Section" mean a section of this Agreement.

4.13 **Notices**. Any notice or offer under this Agreement shall be in writing and shall be deemed to have been received on the earlier of (i) the date actually received or (ii) three (3) days after the date on which it is deposited in the United States mail if mailed by certified mail, return receipt requested, postage prepaid, properly addressed to the principal office of the Corporation if to the Corporation, or to the address of the Shareholder as shown in the books of the Corporation if to the Shareholder, or at such changed address of which a party has given notice.

4.14 **Section 409A**. To the extent of any compliance issues or ambiguous terms, this Agreement shall be construed in such a manner so as to comply with the requirements of section 409A of the Internal Revenue Code of 1986, as amended (the "Code"). If any provision of this Agreement would cause Shareholder to occur any additional tax under Code section 409A, the parties will in good faith attempt to reform the provision in a manner that maintains, to the extent possible, the original intent of the applicable provision without violating the provisions of Code section 409A.

IN WITNESS WHEREOF, the parties hereto have entered into this Agreement as of the date first set forth above.

CORPORATION:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.
a Delaware corporation

By: _____
[●], [●]

SHAREHOLDER:

_____

JOINDER AGREEMENT

This Joinder Agreement (this "Agreement") is entered into by _____ ("Stockholder") in favor of HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation (the "Corporation"), and the stockholders of the Corporation as follows:

In consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration, including without limitation the issuance of shares in the Corporation to Stockholder, the receipt and sufficiency of which are hereby acknowledged, Stockholder agrees to be bound by, and that all shares of Stockholder's stock in the Corporation shall be subject to, that certain Amended and Restated Stockholders' Agreement dated as of March 12, 2014 among the Corporation and its stockholders (the "Stockholders' Agreement"). Stockholder further agrees that all certificates evidencing shares of stock in the Corporation issued to Stockholder may be endorsed with a conspicuous legend referencing the Stockholders' Agreement.

DATED: _____ __, 201_.

STOCK POWER

FOR VALUE RECEIVED, the receipt and sufficiency of which are hereby acknowledged, _____ hereby conveys, assigns, and transfers to Houston International Insurance Group, Ltd. (the "Company") _____ shares of the common stock of the Company, now registered in the name of _____ on the books of the Company, and being represented by Certificate No. _____. _____ hereby appoints the Company agent to transfer the aforesaid stock on the books of the Company.

EXECUTED the __ day of _____, 201_.

_____

_____

SKYWARD SPECIALTY INSURANCE GROUP, INC.
LONG-TERM INCENTIVE PLAN

1. Purpose

The purpose of this Plan is to promote the interests of the Company and its participating Affiliates and Shareholders by enabling the Company and its participating Affiliates to attract, motivate and retain Participants by offering them incentive awards that recognize the creation of value for the Shareholders and promote the Company's long-term growth and success.

2. Available Awards

Long-term incentive award grants under the Plan shall be one of five types: (1) Restricted Shares; (2) Restricted Stock Units; (3) Performance Shares; (4) Performance Units; or (5) Long-Term Performance Cash (collectively, "Awards").

3. Definitions

As used in the Plan, the following terms shall have the meanings set forth below:

3.1 *"Affiliate"* shall mean any controlled subsidiary of the Company and any controlled business venture designated by the Committee in which the Company has a significant interest at the relevant time, as determined in the discretion of the Committee. An Affiliate is a "participating Affiliate" if it is designated by the Committee as an Affiliate whose employees may be Participants. A list of participating Affiliates is set forth in Exhibit A, which may be amended from time to time by the Committee without the need for a formal Plan amendment.

3.2 *"Award"* shall have the meaning set forth in Paragraph 2.

3.3 *"Award Agreement"* shall have the meaning set forth in Paragraph 4.5(a).

3.4 *"Award Period"* shall mean the period of time set out in the Award Agreement for the Award to become fully vested (in the case of Restricted Shares) or considered for vesting and settlement (in the case of other Awards).

3.5 *"Beneficiary"* shall mean the beneficiary designated by a Participant, in a manner determined by the Committee, to exercise rights or receive payments of the Participant under an Award in the event of the Participant's death. In the absence of an effective designation by a Participant, the Beneficiary shall be the Participant's estate.

3.6 *"Board"* shall mean the Board of Directors of the Company, as the same may be constituted from time to time.

3.7 *"Book Value Per Share"* shall mean the stated shareholders' equity as reported on the Company's most recent quarterly financial statements, divided by the issued and outstanding Shares, on an as-converted basis, as of that date and as certified by the Committee.

3.8 *"Business Unit"* shall mean a particular program, division or sub-set of such, of the Company as may be designated from time to time by the Chief Executive Officer, or, in the case of a Business Unit affecting the Chief Executive Officer, the Board. Designation of Business Units and membership in such Business Units by Participants is, in each case, at the sole discretion of the Chief Executive Officer, or in the case of the Chief Executive Officer, the Board..

3.9 *"Cause"* shall mean a termination of the Participant's service because of: (1) any act or omission that constitutes a material breach by the Participant of any of his or her obligations under the Plan or an Award Agreement; (2) the Participant's conviction of, or plea of nolo contendere to, (A) any felony or (B) another crime involving dishonesty or moral turpitude or which could reflect negatively upon the Company or any of its Affiliates or otherwise impair or impede their operations; (3) the Participant's engaging in any misconduct, negligence, act of dishonesty, violence or threat of violence (including any violation of federal securities laws) that is injurious to the Company or any of its Affiliates; (4) the Participant's material breach of a written policy of the Company or the rules of any governmental or regulatory body applicable to the Company; (5) the Participant's refusal to follow the directions of the Board; or (6) any other willful misconduct by the Participant that is materially injurious to the financial condition or business reputation of the Company or any of its Affiliates. Notwithstanding anything to the contrary, Cause shall be determined in the sole discretion of the Chief Executive Officer and such Chief Executive Officer shall have the sole discretion to use after-acquired evidence to retroactively re-characterize the prior termination as a termination for Cause if such after-acquired evidence supports such an action; provided that if the Participant in question is the Chief Executive Officer, then such determination shall be made in the sole discretion of the Board, which may also use after-acquired evidence in making such determination.

3.10 *"Change in Control"* shall mean, after the effective date of the Plan, the occurrence of any one or more of the events described below, except that in no event shall an initial public offering constitute a Change in Control:

(a) Any Person, other than the Company or the Westaim Corporation or any of their affiliates, becomes the owner or beneficial owner, directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total fair market value or total voting power of the Company's then outstanding securities;

(b) During any period of twelve (12) consecutive months, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election by the Board or the nomination for election by the Shareholders was approved by a vote of at least two-thirds (2/3) of the Directors then still in office who either were Directors at the beginning of the twelve (12)-month period or whose election or nomination for election was previously so approved;

(c) The Shareholders approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation where the shareholders prior to the transaction retain at least fifty percent (50%) of the voting power of the new entity; provided, however, that a merger or consolidation effected to implement a Reorganization in which no Person acquires more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities shall not constitute a Change in Control of the Company; or

(d) The Shareholders approve an agreement for the sale or disposition by the Company of all or substantially all of the value of the Company's assets over a twelve (12)-month period or less, other than such a sale or disposition to an entity that is controlled by the Shareholders.

3.11 "*Chief Executive Officer*" or *"CEO"* shall mean the chief executive officer of the Company, except that such term shall mean the Board if no such chief executive officer is currently in office.

3.12 *"Code"* shall mean the Internal Revenue Code of 1986, as amended from time to time, and any applicable Treasury regulations promulgated thereunder.

3.13 *"Committee"* shall mean the Compensation Committee appointed by the Board to administer the Plan, or, in the absence of a Compensation Committee, it shall mean the Board.

3.14 *"Company"* shall mean Skyward Specialty Insurance Group, Inc. and any successor thereof.

3.15 *"Constructive Termination"* for the purposes of this Long-Term Incentive Plan only, shall mean the occurrence of any of the following actions or omissions by the Company or any Affiliate with respect to a Participant without the prior written consent of such Participant:

(a) a material diminution in the Participant's authority, duties, or responsibilities;

(b) a material diminution in the authority, duties, or responsibilities of the supervisor to whom the Participant is required to report, including a requirement that the CEO report to an Employee instead of reporting directly to the Board of Directors;

(c) a material reduction in the Participant's base compensation;

(d) a material reduction in the amount of incentive compensation the Participant is eligible to receive under the Plan, provided that the dollar amount of the reduction would constitute a material reduction in the Participant's base compensation if deducted therefrom and provided further that a mere reduction in the Book Value per Share shall not constitute a material reduction in incentive compensation; or

(e) a change in the Participant's principal place of employment, at the direction of the Company, to a location that is more than 50 miles from the prior principal work location; in each case provided that the Participant has given the Company written notice of the particular circumstances that constitute the grounds on which the purported Constructive Termination is based and a period of thirty (30) days after receiving such notice to cure such grounds; and provided further that the Company or Affiliate, as the case may be, has failed to cure such grounds within such thirty (30)-day period, and the Participant has Separated from Service immediately following such thirty (30)-day period.

3.16 *"Director"* shall mean a member of the Company's or its Affiliates' Board of Directors.

3.17 *"Disability"* shall mean inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment as determined by the Company's long-term disability insurance carrier.

3.18 *"Dividend Equivalent Right"* shall mean a credit, made at the sole discretion of the Committee, to the account of a Participant in an amount equal to the value of dividends paid on one Share for each Share represented by an Award held by such Participant.

3.19 "*Double Trigger Event*" shall mean the occurrence of one of the following within twenty-four (24) months after a Change in Control: (1) Separation from Service of a Participant by the Company without Cause; or (2) a Constructive Termination of a Participant's employment.

3.20 *"Effective Date"* shall mean November 15, 2020.

3.21 *"Employee"* shall mean any person, including an officer, who is a common law employee of and receives remuneration for personal services to the Company or any participating Affiliate. A person shall not be considered an "Employee" unless the person is included on the official human resources database as an employee.

3.22 *"Long-Term Performance Cash"* shall mean a cash amount, receipt of which is subject to certain restrictions, including a requirement of continuous service for a period of time, which is adjustable, up or down, based on an overall assessment of Company performance and a relative assessment of performance of the Participant's line of business with respect to all other Company lines of business.

3.23 *"Participant"* shall mean an individual who is eligible to receive an Award in accordance with Section 6.

3.24 *"Performance Period"* shall mean the individual calendar year periods (or partial year periods for mid-term Participants) within the Award Period.

3.25 *"Performance Shares"* shall mean the right to receive Shares, subject to certain specified restrictions, including a requirement of continuous service for a period of time, which is adjustable, up or down, based on attainment of established performance measures of the Company.

3.26 *"Performance Units"* shall mean a notional unit representing the right to a specific dollar amount per unit, as established in the Award Agreement, subject to certain restrictions, including a requirement for continuous service for a period of time, which are adjustable, up or down, based on attainment of established performance measures.

3.27 *"Person"* shall mean an individual, partnership, joint venture, corporation, trust, limited liability company, estate or other entity or organization.

3.28 *"Plan"* shall mean this Skyward Specialty Insurance Group, Inc. Long-Term Incentive Plan, as set forth herein and as may be amended from time to time.

3.29 *"Plan Year"* shall mean the fiscal year of the Company, which as of the Effective Date is the calendar year.

3.30 *"Pro-Rata Percentage"* shall mean the percentage calculated by dividing (a) the number of days from the beginning of the Award Period to date of the Separation from Service, by (b) the number of days in the Award Period.

3.31 *"Reorganization"* shall mean a reorganization or recapitalization of the Company or a similar transaction with respect to the Company.

3.32 "Restricted Shares" shall mean Shares which are subject to restrictions, including a requirement of continuous service for a period of time or other substantial risk of forfeiture.

3.33 *"Restricted Stock Units"* shall mean the right to receive Shares (or, in certain circumstances provided in this Plan or an applicable Award Agreement, cash) which is subject to a distribution schedule and/or restrictions, including a requirement of continuous service for a period of time or risk of forfeiture.

3.34 *"Separates from Service"* or *"Separation from Service"* means a Participant's death, retirement or other termination of employment with the Company and its applicable Affiliates, except that the employment relationship is treated as continuing intact while the Participant is on military leave, sick leave, or other bona fide leave of absence if the period of such leave does not exceed six (6) months, or if longer, so long as the Participant retains a right to reemployment with the Company or Affiliate under an applicable statute or by contract; provided, however, that a separation from service will not have occurred if the Participant ceases to provide services as an employee but continues to provide service as an independent contractor, unless the level of bona fide services the Participant would perform after ceasing to be an employee would permanently decrease to no more than 20 percent (20%) of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding thirty-six (36)-month period (or the full period of services if the Participant has been providing services to the Company or an Affiliate for less than 36 months), excluding services as a non-Employee Director.

3.35 *"Shares"* means shares of the Company's common stock and any shares of capital stock or other securities of the Company hereafter issued or issuable upon, in respect of or in substitution or exchange for such shares.

3.36 *"Unit"* shall mean a base phantom or notional unit representing the right to an amount in United States dollars, or Company stock, as of a specified date as defined by the applicable Award Agreement, which base phantom or notional unit may be adjusted up or down, as in the case of Performance Units or Restricted Share Units.

4. Administration of the Plan

4.1 *Committee.* The Plan shall be administered and interpreted by the Committee in its discretion.

4.2 *Awards.* Subject to the provisions of the Plan and directions from the Board, the Committee is authorized to and has the complete power and discretion to administer the Plan and undertake all actions provided for it under the Plan, including the power and discretion to:

(a) determine the Participants to whom Awards are to be granted;

(b) determine the types and combinations of Awards to be granted; the number of Units or Shares to be covered by the Award; the terms, performance criteria, Performance Period or other conditions, vesting periods or any restrictions for an Award; the time or times when the Award shall be granted and exercised (paid); any vesting acceleration or waiver of forfeiture or repurchase restrictions; and any other terms and conditions of an Award, including, without limitation, provisions requiring the forfeiture of Awards and/or gains from Awards if a Participant is terminated for Cause or if a Participant or former Participant violates any applicable affirmative or negative covenants regarding confidentiality, non-solicitation or such other matters as are specified in an Award Agreement or other agreement or policy applicable to the Participant;

(c) conclusively interpret the provisions of the Plan and any agreement, instrument, or other document relating to the Plan;

(d) reconcile any inconsistency in, correct any defect in and/or supply any omission in the Plan and any agreement, instrument, or other document relating to the Plan;

(e) prescribe, amend and rescind the rules and regulations relating to the Plan or make individual decisions as questions arise, or both;

(f) authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously approved by the Committee;

(g) impose such restrictions, conditions or limitations as it determines appropriate with respect to Awards granted under the Plan;

(h) rely upon Employees, consultants, and agents of the Company for such clerical and record keeping duties as may be necessary in connection with the administration of the Plan;

(i) determine whether an individual (including an Employee on leave or other inactive status) has Separated from Service for purposes of the Plan;

(j) make decisions with respect to outstanding Awards that may become necessary upon a Double Trigger Event or an event that triggers anti-dilution adjustments;

(k) determine the date of any breach of a non-solicitation or confidentiality covenant respecting a Participant; and

(l) make all other determinations and take all other actions necessary or advisable for the administration of the Plan.

The express grant in the Plan of any specific power to the Committee shall not be construed as limiting any power or authority of the Committee. However, the Committee (if separate from the Board) may not exercise any right or power reserved to the Board.

4.3 *Procedures.* The CEO will make nominations and recommendations to the Committee for Awards for the year, which the Committee will review and decide upon. All determinations of the Committee shall be made by a majority of its members. All questions of interpretation and application of the Plan or pertaining to any question of fact or Award granted hereunder shall be decided by the Committee, whose decision shall be final, conclusive and binding upon the Company and each other affected party. No Committee member shall act as a member of the Committee with respect to any dispute or matter specifically involving the Committee member. If the Committee is unable to act (because a majority of its members are disqualified from acting or abstain from acting) with respect to a matter, the Board shall assume the authority and responsibility of the Committee with respect to such matter.

4.4 *Delegation by the Committee.* The Committee may delegate to one or more individuals, pursuant to a written delegation, the day-to-day administration of the Plan and any of the functions assigned to it in this Plan, except that any such delegation shall not include the Committee's authority and responsibility to grant Awards and interpret the Plan under Sections 4.2(a)-(e). Any actions taken by any delegates of the Committee pursuant to such written delegation of authority shall be deemed to have been taken by the Committee. Such delegation may be revoked at any time.

4.5 *Award Agreements.*

(a) Each Award granted under the Plan shall be evidenced by a written Award agreement ("Award Agreement"). Each Award Agreement shall be subject to and incorporate, by reference or otherwise, the applicable terms and conditions of the Plan, and any other terms and conditions, not inconsistent with the Plan, as may be imposed by the Committee, including without limitation, provisions related to the consequences of a Participant's Separation from Service that are not inconsistent with the terms of this Plan. A copy of such Agreement shall be provided to the Participant, and the Committee may, but need not, require that the Participant sign (or otherwise acknowledge receipt of) a copy of the Agreement or a copy of a notice of grant.

(b) Each Participant may be required, as a condition to receiving an Award under this Plan, to enter into an agreement with the Company containing such confidentiality, non-solicitation, and/or other provisions as the Committee may adopt and approve from time to time. The provisions of any such agreement may also be included in, or incorporated by reference in, the written Award Agreement.

4.6 *Indemnification.* No Employee, Board member, or member of the Committee shall be liable for any action taken or omitted to be taken by such member, by any other Employee, Board member, or Committee member in connection with the performance of duties under the Plan, except for such person's own willful misconduct or as expressly provided by applicable law. Employees, Board members, and members of the Committee shall be indemnified in connection with their administration of the Plan to the fullest extent provided by applicable law and by the articles and bylaws of the Company.

5. Shares and Units Subject to Plan

5.1 *Limitations.* The Committee may, but is not required to, establish a maximum number of Units and/or Shares with respect to which Awards may be granted under the Plan. To the extent the Committee does establish one or more maximum limits, then, subject to Section 5.2, the number of Units with respect to which Awards are available for issuance under the Plan shall be reduced by the full number of Units covered by Awards previously granted under the Plan, in each case as may be adjusted from time to time in accordance with Section 13.

5.2 *Changes.* To the extent that any Award for Restricted Shares or Performance Shares under the Plan shall be forfeited or cancelled, in whole or in part, or used to pay taxes as permitted by Section 16.8, then the number of shares covered by the Award may again be awarded pursuant to the provisions of the Plan without again counting against any limitation that the Committee may have specified pursuant to Section 5.1.

6. Eligibility

An individual shall be eligible to participate in the Plan and be considered for Awards hereunder if the individual is a non-Employee Director or is an Employee who the Committee deems, in its discretion, a senior leader, a key manager or other key individual. In making any determination as to persons to whom Awards shall be granted, the type of Award, and/or the number of Shares or Units or the amount of cash to be covered by the Award, the Committee shall consider the person's position and responsibilities; his or her importance to the Company and its Affiliates; the duties of such person; his or her past, present and potential contributions to the growth and success of the Company and its Affiliates; and such other factors as the Committee shall deem relevant in connection with accomplishing the purposes of the Plan.

At the discretion of the CEO and with the Committee's approval, individuals who the Committee deems eligible mid-year (whether by mid-year hire, appointment, promotion or otherwise resulting in eligibility under the Plan), may participate in the current year's Awards if the hiring or promotion occurs prior to the end of the third quarter. Any mid-year recipient's Award can be made without proration and will, by its terms, have a vesting requirement of less than the full vesting requirement of the year's Awards.

A Participant selected to receive an Award shall have a reasonable period of time within which to accept or reject the offered Award. Failure to accept within the period so fixed by the Committee may be treated as a rejection.

7. Restricted Shares

7.1 *Grants.* The Committee may grant Awards of Restricted Shares for no cash consideration, for such minimum consideration as may be required by applicable law, or for such other consideration as may be specified by the grant.

7.2 *Terms and Conditions*. The Committee, in its sole discretion, may specify any particular rights which the person to whom an Award of Restricted Shares is made shall have in the Restricted Shares during the restriction period and the restrictions applicable to the particular Award, the vesting schedule (which may be based on service, performance or other factors) and rights to acceleration of vesting (including, without limitation, whether vesting, forfeiture or other terms or conditions in addition to those stated herein will apply to the Award upon Separation from Service). The Committee shall also determine when the restrictions shall lapse or expire and the conditions, if any, under which the Restricted Shares will be forfeited or sold back to the Company. Each Award of Restricted Shares may have different restrictions and conditions. The Committee, in its discretion, may prospectively change the restriction period and the restrictions applicable to any particular Award of Restricted Shares. Unless otherwise set forth in the Plan, Restricted Shares may not be disposed of by the recipient until the restrictions specified in the Award Agreement expire.

7.3 *Awards and Certificates*. Any Restricted Shares issued hereunder may be evidenced in such manner as the Committee, in its sole discretion, shall deem appropriate including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of Restricted Shares awarded hereunder, such certificates shall bear an appropriate legend with respect to the restrictions applicable to such Award. The Company may retain, at its option, the physical custody of any stock certificates representing any awards of Restricted Shares during the restriction period or require that the Restricted Shares be placed in escrow or trust, along with a stock power endorsed in blank, until all restrictions are removed or expire.

7.4 *Shareholder and/or Proxy Agreement*. In connection with and as a condition to the grant of Restricted Shares, the Participant will be required to become a party to the Company's shareholder agreement. The shareholder agreement may contain restrictions on the transferability of the Shares (such as a right of first refusal or a prohibition on transfer), and such Shares may be subject to tag-along rights and drag-along rights of the Company and certain of its investors and repurchase rights of the Company. The shareholder agreement may also cross-reference, incorporate or refer to provisions of this Plan or an Award Agreement, which provisions shall be enforceable under the shareholder agreement as if stated therein (in addition and not in lieu of such provision's enforceability under this Plan or the Award Agreement). In addition, the Participant may be required to execute a voting proxy agreement with respect to such Shares in favor of the Company or a third party, which may be effective during the period of restriction or some other period of time.

7.5 *Clawback upon Breach of Non-Solicitation or Confidentiality Covenants*. As provided in Section 4.5, each Participant may be required to enter into an agreement with the Company containing such confidentiality, non-solicitation, and/or other provisions as the Committee may adopt and approve from time to time. If the Committee determines that a Participant has breached such agreement: (i) all of a Participant's vested and unvested Shares received, awarded, vested or granted pursuant to Restricted Share Awards shall immediately be cancelled; (ii) upon cancellation the Participant shall have no further rights under or to such Shares; and (iii) the Participant shall, within ten (10) days of notice of the Committee's determination of such breach, surrender certificates evidencing any such Shares not in the Company's custody or control. These clawback rights are in addition to, and not in substitution of, any rights of repurchase or other recoupment rights the Company may have.

7.6 *Separation from Service.* To the extent not otherwise provided in a Restricted Share Award Agreement, the following terms apply:

(a) Death or Disability. In the event that a Participant Separates from Service due to death or Disability: (i) all unvested Restricted Shares of such Participant shall be cancelled, the certificates evidencing unvested Restricted Shares not in the custody or control of the Company shall be surrendered to the Company, and instead the Company shall settle such Awards as soon as reasonably practicable but in any event by the 15th day of the third month following the end of the year in which the Participant Separates from Service due to death or Disability by making a cash payment equal to the product of (A) the number of unvested Restricted Stock Units, prorated by the number of full or partial months in the Award Period at the time of the Participant's Separation from Service due to death or Disability, and (B) the Book Value Per Share in effect at such time; and, assuming there is no public market for the Shares, (ii) the Company shall repurchase, and the Participant or his/her estate shall sell, all Shares issued in settlement of the Participant's vested Restricted Stock Unit Awards at the Book Value Per Share in effect as of the Participant's Separation from Service due to death or Disability, with the closing on such repurchase to occur on a date determined by the Committee in its discretion, not to exceed six (6) months following the Participant's Separation from Service due to death or Disability, or such other time as is established in the shareholder's agreement. As a closing condition to the Company repurchase provided in clause (ii), the Company may require from the Participant or his/her executor or legal representative a general release of the Company, its Affiliates and their employees, officers and directors, in form and substance reasonably satisfactory to the Committee.

(b) Double-Trigger Event. In the event that a Participant experiences a Double-Trigger Event, all restrictions provided in the Participant's Restricted Share Award Agreements will lapse and any unvested Restricted Shares then outstanding shall then vest. Further, if there is no public market for the Shares, a Participant may offer to sell all or any portion of his/her vested Restricted Shares by submitting, at least one year in advance of sale date, an irrevocable written offer to the CEO (or in the case of the CEO, the Committee) to sell a specified number of vested Shares. If accepted, such Shares will be purchased by the Company at the Book Value Per Share in effect as of the date that is twelve (12) months following receipt of the request, with the closing on such repurchase to occur on a date determined by the Committee in its discretion, not to exceed fourteen (14) months following receipt of the request.

(c) Sale or Closure of a Business Unit. In the event that the Company divest of or winds-down substantially all of the operations of Participant's Business Unit (by actions of Persons other than Participant) during the Award Period prior to the settlement of the Award, (i) if the Participant Separates from Service with the Company but is employed by the purchaser of the Business Unit or its assets and the purchaser has a comparable incentive plan in which Participant will participate, all unvested Restricted Shares shall be cancelled, the certificates evidencing the unvested Restricted Shares not in the custody or control of the Company shall be surrendered to the Company, and the Participant shall have no further rights under or to the unvested Restricted Shares; or (ii) if the Participant Separates from Service due to the sale or closure or the Participant continues employment with the Purchaser and no comparable incentive plan is offered to the employee, then (y) a portion of the Restricted Shares shall vest, such portion calculated by multiplying the Awarded Restricted Shares by the Pro-Rata Percentage; and (z) all other unvested Restricted Shares of such Participant shall be cancelled, the certificates evidencing unvested Restricted Shares not in the custody or control of the Company shall be surrendered to the Company, and upon cancellation the Participant shall have no further rights under or to unvested Restricted Shares. If there is no public market for the Shares, a Participant may offer to sell all or any portion of his/her currently vesting, or previously vested, Restricted Shares by submitting, at least one year in advance of sale date, an irrevocable written offer to the CEO (or in the case of the CEO, the Committee) to sell a specified number of vested Shares. If accepted, such Shares will be purchased by the Company at the Book Value Per Share in effect as of the date that is twelve (12) months following receipt of the request, with the closing on such repurchase to occur on a date determined by the Committee in its discretion, not to exceed fourteen (14) months following receipt of the request.

(d) *All Other Separations from Service.* In the event that a Participant Separates from Service due to any reason other than those specified in the foregoing subparagraphs of this Section 7.6: (i) all unvested Restricted Shares of such Participant shall be cancelled, the certificates evidencing unvested Restricted Shares not in the custody or control of the Company shall be surrendered to the Company, and upon cancellation the Participant shall have no further rights under or to unvested Restricted Shares; and (ii) if there is no public market for the Shares, a Participant may offer to sell all or any portion of his/her vested Restricted Shares by submitting, at least one year in advance of sale date, an irrevocable written offer to the CEO (or in the case of the CEO, the Committee) to sell a specified number of vested Shares. If accepted, such Shares will be purchased by the Company at the Book Value Per Share in effect as of the date that is twelve (12) months following receipt of the request, with the closing on such repurchase to occur on a date determined by the Committee in its discretion, not to exceed fourteen (14) months following receipt of the request.

8. Restricted Stock Units

8.1 Grants. The Committee may grant Awards of Restricted Stock Units for no cash consideration, for such minimum consideration as may be required by applicable law, or for such other consideration as may be specified by the grant.

8.2 Terms and Conditions. The Committee, in its sole discretion, may specify the terms and conditions of Restricted Stock Units at the time of the grant and may include provisions applicable to the particular Award, the vesting schedule (which may be based on service, performance or other factors) and rights to acceleration of vesting (including, without limitation, whether unvested Restricted Stock Units are forfeited or vested upon Separation from Service). The Committee shall also determine when the restrictions shall lapse or expire and the conditions, if any, under which Restricted Stock Units will be forfeited or Shares issued in settlement of Restricted Stock Units sold back to the Company. Each Award of Restricted Stock Units may have different restrictions and conditions. The Committee, in its discretion, may prospectively change the restriction period and the restrictions applicable to any particular Award of Restricted Stock Units. All Restricted Stock Units are personal and non-assignable.

8.3 *Settlement.* Restricted Stock Unit Awards will be settled in Shares or, under circumstances provided for in the Award Agreement or this Article 8, cash, or any combination thereof as the Committee may determine, and the consideration for the issuance of the Restricted Stock Units may be the achievement of the vesting schedule. Settlement shall occur within a reasonable period of time after the Committee has so certified, but in any event by the 15th day of the third month following the end of the year in which the Restricted Stock Unit Award is no longer subject to a substantial risk of forfeiture.

8.4 *Dividend Equivalent Rights.* The Committee may grant a Dividend Equivalent Right as a component of a Restricted Stock Unit Award, and, in general, each such holder of a Dividend Equivalent Right that is outstanding on a dividend record date for the Company's common stock shall be credited with an amount equal to the cash or stock dividends or other distributions that would have been received had the Shares issuable under the Restricted Stock Unit Award been issued and outstanding on the dividend record date. The terms and conditions of the Dividend Equivalent Right shall be specified by the grant. Dividend equivalents credited to the holder of a Dividend Equivalent Right may accrue currently or may be deemed to be reinvested in additional Restricted Stock Units (which may thereafter accrue additional Dividend Equivalent Rights). Any such reinvestment shall be at the Book Value Per Share in effect at the time thereof. Dividend Equivalent Rights may be settled in cash or Shares, or a combination thereof. Dividend Equivalent Rights that are a component of a Restricted Stock Unit Award shall be settled concurrently with the Restricted Stock Units to which they relate and shall expire or be forfeited or annulled under the same conditions as such Restricted Stock Unit Award.

8.5 *Shareholder and/or Proxy Agreement*. In connection with and as a condition to the vesting and settlement of a Restricted Stock Unit Award, the Participant will be required to become a party to the Company's shareholder agreement. The shareholder agreement may contain restrictions on the transferability of the Shares (such as a right of first refusal or a prohibition on transfer), and such Shares may be subject to tag-along rights and drag-along rights of the Company and certain of its investors and repurchase rights of the Company. The shareholder agreement may also cross-reference, incorporate or refer to provisions of this Plan or an Award Agreement, which provisions shall be enforceable under the shareholder agreement as if stated therein (in addition and not in lieu of such provision's enforceability under this Plan or the Award Agreement). In addition, the Participant may be required to execute a voting proxy agreement with respect to such Shares in favor of the Company or a third party, which may be effective during the period of restriction or some other period of time.

8.6 *Forfeiture and Clawback upon Breach of Non-Solicitation or Confidentiality Covenants.* As provided in Section 4.5, each Participant may be required to enter into an agreement with the Company containing such confidentiality, non-solicitation, and/or other provisions as the Committee may adopt and approve from time to time. If the Committee determines that a Participant has breached such agreement: (i) all unvested or unsettled Restricted Stock Unit Awards respecting the Participant will be forfeited; (ii) all Dividend Equivalent Rights and credits granted under Dividend Equivalent Rights shall be forfeited; (iii) all Shares vested or issued in settlement of Restricted Stock Unit Awards shall immediately be cancelled, and upon cancellation the Participant shall have no further rights under or to such Shares; and (iv) the Participant shall, within ten (10) days of notice of the Committee's determination of such breach, surrender any certificates evidencing such Shares not in the Company's custody or control and repay all cash payable or paid in settlement of Restricted Stock Unit Awards. These forfeiture and clawback rights are in addition to, and not in substitution of, any rights of repurchase or other recoupment rights the Company may have.

8.7 Separation from Service. To the extent not otherwise provided in a Restricted Stock Unit Award Agreement, the following terms apply:

(a) Death or Disability. In the event that a Participant Separates from Service due to death or Disability: (i) all unvested or unsettled Restricted Stock Units of such Participant, all Dividend Equivalent Rights and all credits granted under Dividend Equivalent Rights shall be forfeited, and instead the Company shall settle such Awards as soon as reasonably practicable but in any event by the 15th day of the third month following the end of the year in which the Participant Separates from Service due to death or Disability by making a cash payment equal to the product of (A) the number of unvested Restricted Stock Units, prorated by the number of full or partial months in the Award Period at the time of the Participant's Separation from Service due to death or Disability, and (B) the Book Value Per Share in effect at such time; *plus* any credits from the Dividend Equivalent Rights; and, (ii) if there is no public market for the Shares, the Company shall repurchase, and the Participant or his/her estate shall sell, all Shares issued in settlement of the Participant's vested Restricted Stock Unit Awards at the Book Value Per Share in effect as of the Participant's Separation from Service due to death or Disability, with the closing on such repurchase to occur on a date determined by the Committee in its discretion, not to exceed six (6) months following the Participant's Separation from Service due to death or Disability, or such other time as is established in the shareholder's agreement. As a condition precedent to the cash settlement provided in clause (i), and as a closing condition to the Company repurchase provided in clause (ii), the Company may require from the Participant or his/her executor or legal representative a general release of the Company, its Affiliates and their employees, officers and directors, in form and substance reasonably satisfactory to the Committee.

(b) Double-Trigger Event. In the event that a Participant experiences a Double-Trigger Event, all restrictions provided in the Participant's Restricted Stock Unit Award Agreements will lapse, performance measures will be deemed met, and his/her Restricted Stock Unit Awards will be settled in Shares as provided in Section 8.3. Further, if there is no public market for the Shares, a Participant may offer to sell all or any portion of his/her vested Restricted Stock Units by submitting, at least one year in advance of sale date, an irrevocable written offer to the CEO (or in the case of the CEO, the Committee) to sell a specified number of vested Shares. If accepted, such Shares will be purchased by the Company at the Book Value Per Share in effect as of the date that is twelve (12) months following receipt of the request, with the closing on such repurchase to occur on a date determined by the Committee in its discretion, not to exceed fourteen (14) months following receipt of the request.

(c) Sale or Closure of a Business Unit. In the event that the Company divest of or winds-down substantially all of the operations of Participant's Business Unit (by actions of Persons other than Participant) during the Award Period prior to the settlement of the Award, (i) if the Participant Separates from Service with the Company but is employed by the purchaser of the Business Unit or its assets and the purchaser has a comparable incentive plan in which employee will participate, all unvested and unsettled Restricted Stock Units of the Participant and all associated Dividend Equivalent Rights shall be forfeited; or (ii) if the Participant Separates from Service due to the Business Unit's sale or closure or the Participant continues employment with the purchaser and no comparable incentive plan is offered to the employee, then (y) a portion of the Restricted Share Units shall vest, such portion calculated by multiplying the Awarded Restricted Share Units by the Pro-Rata Percentage, and settlement in Shares as provided in Section 8.3; and (z) all other unvested or unsettled Restricted Stock Units of such Participant, and all associated Dividend Equivalent Rights and all credits granted under Dividend Equivalent Rights shall be forfeited. If there is no public market for the vested Shares, a Participant may offer to sell all or any portion of his/her currently vesting or previously vested Restricted Shares Units by submitting, at least one year in advance of sale date, an irrevocable written offer to the CEO (or in the case of the CEO, the Committee) to sell a specified number of vested Shares. If accepted, such Shares will be purchased by the Company at the Book Value Per Share in effect as of the date that is twelve (12) months following receipt of the request, with the closing on such repurchase to occur on a date determined by the Committee in its discretion, not to exceed fourteen (14) months following receipt of the request.

(d) *All Other Separations from Service.* In the event that a Participant Separates from Service due to any reason other than those specified in the foregoing subparagraphs of this Section 8.7: (i) all unvested or unsettled Restricted Stock Units of such Participant, all Dividend Equivalent Rights and all credits granted under Dividend Equivalent Rights shall be forfeited; and (ii) if there is no public market for the Shares, a Participant may offer to sell all or any portion of his/her vested Restricted Shares Units by submitting, at least one year in advance of sale date, an irrevocable written offer to the CEO (or in the case of the CEO, the Committee) to sell a specified number of vested Shares. If accepted, such Shares will be purchased by the Company at the Book Value Per Share in effect as of the date that is twelve (12) months following receipt of the request, with the closing on such repurchase to occur on a date determined by the Committee in its discretion, not to exceed fourteen (14) months following receipt of the request.

9. Performance Shares

9.1 *Grants.* The Committee may grant Performance Share Awards to any Participant for no cash consideration, for such minimum consideration as may be required by applicable law or for such other consideration as may be specified at the time of the grant.

9.2 Terms and Conditions. The terms and conditions of Performance Share Awards shall be specified at the time of the grant and may include provisions establishing the performance period, the performance criteria to be achieved during a performance period, the criteria used to determine vesting (including the acceleration thereof), whether Performance Share Awards are forfeited or vest upon termination of employment or service during a performance period and the maximum or minimum settlement values. The extent to which any applicable performance objective has been achieved shall be conclusively determined by the Committee. Each Performance Award shall have its own terms and conditions, which shall be determined at the discretion of the Committee. Each Performance Share Award may have different terms and conditions. If the Committee determines, in its sole discretion, that the established performance measures or objectives are no longer suitable because of a change in the Company's business, operations, corporate structure or for other reasons that the Committee deems satisfactory, the Committee may modify the performance measures or objectives and/or the Performance Period.

9.3 Settlement. Performance Share Awards will be settled in Shares or, under circumstances provided for in the Award Agreement, cash, or any combination thereof as the Committee may determine, and the consideration for the issuance of the Shares may be the achievement of the performance objective established at the time of the grant of the Performance Share Award. The Committee shall determine whether any applicable performance goals have been met and, if they have, shall so certify prior to the issuance of any Shares in settlement of Performance Share Award. No Performance Share Award for any Performance Period shall vest until such certification is made by the Committee. Settlement shall occur within a reasonable period of time after the Committee has certified the achievement of the performance objective, but in any event by the 15th day of the third month following the end of the year in which the Performance Share Award is no longer subject to a substantial risk of forfeiture.

9.4 *Dividend Equivalent Rights.* The Committee may grant a Dividend Equivalent Right as a component of a Performance Share Award, and, in general, each such holder of a Dividend Equivalent Right that is outstanding on a dividend record date for the Company's common stock shall be credited with an amount equal to the cash or stock dividends or other distributions that would have been received had the Shares covered by the Performance Share Award been issued and outstanding on the dividend record date. The terms and conditions of the Dividend Equivalent Right shall be specified by the grant. Dividend equivalents credited to the holder of a Dividend Equivalent Right may accrue currently or may be deemed to be reinvested in additional Performance Shares (which may thereafter accrue additional Dividend Equivalent Rights). Any such reinvestment shall be at the Book Value Per Share at the time thereof. Dividend Equivalent Rights may be settled in cash or Shares, or a combination thereof. Dividend Equivalent Rights that are a component of a Performance Share Award shall be settled concurrently with the Performance Shares to which they relate and shall expire or be forfeited or annulled under the same conditions as such Performance Share Award.

9.5 *Shareholder and/or Proxy Agreement*. In connection with and as a condition to the vesting and settlement of a Performance Share Award, the Participant will be required to become a party to the Company's shareholder agreement. The shareholder agreement may contain restrictions on the transferability of the Shares (such as a right of first refusal or a prohibition on transfer), and such Shares may be subject to tag-along rights and drag-along rights of the Company and certain of its investors and repurchase rights of the Company. In addition, the Participant may be required to execute a voting proxy agreement with respect to such Shares in favor of the Company or a third party, which may be effective during the period of restriction or some other period of time.

9.6 *Forfeiture and Clawback upon Breach of Non-Solicitation or Confidentiality* Covenants. As provided in Section 4.5, each Participant may be required to enter into an agreement with the Company containing such confidentiality, non-solicitation, and/or other provisions as the Committee may adopt and approve from time to time. If the Committee determines that a Participant has breached such agreement: (i) all unvested or unsettled Performance Share Awards respecting the Participant will be forfeited; (ii) all Dividend Equivalent Rights and credits granted under Dividend Equivalent Rights shall be forfeited; (iii) all Shares issued in settlement of Performance Share Awards shall immediately be cancelled, and upon cancellation the Participant shall have no further rights under or to such Shares; and (iv) the Participant shall, within ten (10) days of notice of the Committee's determination of such breach, surrender any certificates evidencing such Shares not in the Company's custody or control and repay all cash paid in settlement of Performance Share Awards. These forfeiture and clawback rights are in addition to, and not in substitution of, any rights of repurchase or other recoupment rights the Company may have.

9.7 Separation from Service. To the extent not otherwise provided in a Performance Share Award Agreement, the following terms apply:

(a) Death or Disability. In the event that a Participant Separates from Service due to death or Disability: (i) all unvested or unsettled Performance Shares of such Participant, all Dividend Equivalent Rights and all credits granted under Dividend Equivalent Rights shall be forfeited, and instead the Company shall settle such Awards by making a cash payment equal to the product of (A) the target number of Performance Shares, prorated by the number of full or partial months in the Award Period at the time of the Participant's Separation from Service due to death or Disability, and (B) the Book Value Per Share in effect at such time, settled in accordance with Section 9.3, *plus*; any credits from the Dividend Equivalent Rights; and (ii) if there is no public market for the Shares, the Company shall repurchase, and the Participant or his/her estate shall sell, all Shares issued to the Participant in settlement of vested Performance Share Awards at the Book Value Per Share in effect as of the Participant's Separation from Service due to death or Disability, with the closing on such repurchase to occur on a date determined by the Committee in its discretion, not to exceed six (6) months following the Participant's Separation from Service due to death or Disability, or such other time as is established in the shareholder's agreement. As a condition precedent to the cash settlement provided in clause (i), and as a closing condition to the Company repurchase provided in clause (ii), the Company may require from the Participant or his/her executor or legal representative a general release of the Company, its Affiliates and their employees, officers and directors, in form and substance reasonably satisfactory to the Committee.

(b) Double-Trigger Event. In the event that a Participant experiences a Double-Trigger Event, all unvested or unsettled Performance Shares of such Participant, all Dividend Equivalent Rights and all credits granted under Dividend Equivalent Rights shall be forfeited, and instead the Company shall settle such Awards by making a cash payment equal to the product of (A) the target number of Performance Shares and (B) the greater of (i) the Book Value Per Share in effect at such time or at the time of the Participant's Grant or (ii) the Book Value Per Share in effect at the time of the Participant's Separation from Service, *plus*; any credits from the Dividend Equivalent Rights, settled in accordance with Section 9.3; provided that any payment may be adjusted to ensure full deductibility of such payment. Further, if there is no public market for the Shares, a Participant may offer to sell all or any portion of his/her vested Performance Shares Units by submitting, at least one year in advance of sale date, an irrevocable written offer to the CEO (or in the case of the CEO, the Committee) to sell a specified number of vested Shares. If accepted, such Shares will be purchased by the Company at the Book Value Per Share in effect as of the date that is twelve (12) months following receipt of the request, with the closing on such repurchase to occur on a date determined by the Committee in its discretion, not to exceed fourteen (14) months following receipt of the request.

(c) Sale or Closure of a Business Unit. In the event that the Company divest of or winds-down substantially all of the operations of Participant's Business Unit (by actions of Persons other than Participant) during the Award Period prior to the settlement of the Award, (i) if the Participant Separates from Service with the Company but is employed by the purchaser of the Business Unit or its assets and the purchaser has a comparable incentive plan in which employee will participate, all unvested and unsettled Performance Shares of the Participant and all associated Dividend Equivalent Rights shall be forfeited; or (ii) if the Participant Separates from Service due to the Business Unit's sale or closure or the Participant continues employment with the purchaser and no comparable incentive plan is offered to the employee, then (y) a portion of the Performance Shares shall vest, such portion calculated by multiplying the Awarded Performance Shares by the Pro-Rata Percentage, with such Shares settled by making a cash payment equal to the product of (A) the target number of Performance Shares vested in accordance with this section 9.7(c), and (B) the greater of (x) the Book Value Per Share in effect at such time or at the time of the Participant's Grant or (y) the Book Value Per Share in effect at the time of the Participant's Separation from Service, *plus*; any credits from the Dividend Equivalent Rights, settled in accordance with Section 9.3; provided that any payment may be adjusted to ensure full deductibility of such payment; and (z) all other unvested or unsettled Performance Shares of such Participant, and all associated Dividend Equivalent Rights and all associated credits granted under Dividend Equivalent Rights shall be forfeited. If there is no public market for the Shares, a Participant may offer to sell all or any portion of his/her currently vesting or previously vested Performance Shares by submitting, at least one year in advance of sale date, an irrevocable written offer to the CEO (or in the case of the CEO, the Committee) to sell a specified number of vested Shares. If accepted, such Shares will be purchased by the Company at the Book Value Per Share in effect as of the date that is twelve (12) months following receipt of the request, with the closing on such repurchase to occur on a date determined by the Committee in its discretion, not to exceed fourteen (14) months following receipt of the request.

(d) *All Other Separations from Service.* In the event that a Participant Separates from Service due to any reason other than those specified in the foregoing subparagraphs of this Section 9.7: (i) all unvested or unsettled Performance Shares, all Dividend Equivalent Rights and all credits granted under Dividend Equivalent Rights shall be forfeited; and (ii) if there is no public market for the Shares, a Participant may offer to sell all or any portion of his/her vested Performance Shares Units by submitting, at least one year in advance of sale date, an irrevocable written offer to the CEO (or in the case of the CEO, the Committee) to sell a specified number of vested Shares. If accepted, such Shares will be purchased by the Company at the Book Value Per Share in effect as of the date that is twelve (12) months following receipt of the request, with the closing on such repurchase to occur on a date determined by the Committee in its discretion, not to exceed fourteen (14) months following receipt of the request.

10. Performance Units

10.1 *Grants.* The Committee may grant Performance Unit Awards in such target numbers as it determines, which target shall be stated in the applicable Award Agreement. The terms and conditions of the Performance Unit Awards shall be specified by the Award Agreement.

10.2 *Terms.* The terms and conditions of Performance Unit Awards shall be specified at the time of the grant and may include, at the discretion of the Committee, provisions establishing the performance period, the performance criteria to be achieved during a performance period, the criteria used to determine vesting (including the acceleration thereof), whether Performance Unit Awards are forfeited or vest upon termination of employment or service during a performance period and the maximum or minimum settlement values. The extent to which any applicable performance objective has been achieved shall be conclusively determined by the Committee. Each Performance Unit Award shall have its own terms and conditions, which shall be determined at the discretion of the Committee. Each Performance Unit Award may have different terms and conditions. If the Committee determines, in its sole discretion, that the established performance measures or objectives are no longer suitable because of a change in the Company's business, operations, corporate structure or for other reasons that the Committee deems satisfactory, the Committee may modify the performance measures or objectives and/or the Performance Period.

10.3 *Payment.* Performance Unit Awards will be paid in cash. Upon satisfaction of the Award vesting requirements and certification by the Committee of applicable performance factors, the number of performance-adjusted Performance Units will be calculated as the product of the target number of Performance Units and the performance factor certified by the Committee. Generally, and subject to the terms of the Performance Unit Award Agreement, the cash payment to be made to the Participant shall be equal to the product of the performance-adjusted Performance Units and the value of each Unit, which will be paid in a reasonable period of time after certification by the Committee, but in any event by the 15th day of the third month following the end of the year in which the Performance Unit cash payment is no longer subject to a substantial risk of forfeiture.

10.4 *No Rights as a Shareholder; No Limit on Company Transactions*. Units are not Shares or other equity interests in the Company or any participating Affiliate. A Participant receiving an Award of Performance Units shall have none of the rights of a shareholder or owner of equity interests in the Company or any participating Affiliate with respect to Units covered by an Award. The Plan and the grant of a Performance Unit Award pursuant to the Plan shall not affect in any way the right or power of the Company or any of its Affiliates to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge or to consolidate or to dissolve, liquidate or sell or transfer all or any part of its business or assets.

10.5 *Forfeiture and Clawback upon Breach of Non-Solicitation or Confidentiality Covenants.* As provided in Section 4.5, each Participant may be required to enter into an agreement with the Company containing such confidentiality, non-solicitation, and/or other provisions as the Committee may adopt and approve from time to time. If the Committee determines that a Participant has breached such agreement: (i) all unvested or unsettled Performance Unit Awards respecting the Participant will be forfeited; and (ii) the Participant shall, within ten (10) days of notice of the Committee's determination of such breach, repay all cash paid in settlement of Performance Unit Awards within the twelve (12) months preceding the Participant's Separation of Service. These forfeiture and clawback rights are in addition to, and not in substitution of, any rights of repurchase or other recoupment rights the Company may have.

10.6 *Separation from Service.* To the extent not otherwise provided in a Performance Unit Award Agreement, the following terms apply:

(a) Death or Disability. In the event that a Participant Separates from Service due to death or Disability, all unvested or unsettled Performance Units of such Participant shall be forfeited, and instead the Company shall settle such Awards by making a cash payment equal to the Performance Unit Award target amount, prorated by the number of full or partial months in the Award Period at the time of the Participant's Separation from Service due to death or Disability, paid in accordance with Section 10.3. As a condition precedent to this cash settlement, the Company may require from the Participant or his/her executor or legal representative a general release of the Company, its Affiliates and their employees, officers and directors, in form and substance reasonably satisfactory to the Committee.

(b) Double-Trigger Event. In the event that a Participant experiences a Double-Trigger Event, all unvested or unsettled Performance Units of such Participant shall be forfeited, and instead the Company shall settle such Awards by making a cash payment equal to the product of (A) the target number of units granted in Performance Unit Award, and (B) the Unit value, paid in accordance with Section 10.3; provided that any payment may be adjusted to ensure full deductibility of such payment.

(d) Sale or Closure of a Business Unit. In the event that the Company divest of or winds-down substantially all of the operations of Participant's Business Unit (by actions of Persons other than Participant) during the Award Period prior to the Settlement of the Award, (i) if the Participant Separates from Service with the Company but is employed by the purchaser of the Business Unit or its assets and the purchaser has a comparable incentive plan in which employee will participate, all unvested and unsettled Performance Units of the Participant shall be forfeited; or (ii) if the Participant Separates from Service due to the Business Unit's sale or closure or the Participant continues employment with the purchaser and no comparable incentive plan is offered to the employee, then (y) a portion of the Performance Units shall vest, such portion calculated by multiplying the Performance Units by the Pro-Rata Percentage, and such vested units shall be settled by making a cash payment equal to the product of (A) the target number of units vested in accordance with this Section 10.6(c), and (B) the Unit value, paid in accordance with Section 10.3, provided that any payment may be adjusted to ensure full deductibility of such payment; (z) all other unvested or unsettled Performance Units of such Participant shall be forfeited and no additional payment made.

(e) All Other Separations from Service. In the event that a Participant Separates from Service due to any reason other than those specified in the foregoing subparagraphs of this Section 10.6, all unvested or unsettled Performance Units shall be forfeited and no payment shall be made.

11. Long-Term Performance Cash

11.1 *Grants.* The Committee may grant Awards of Long-Term Performance Cash in a target amount it determines, which amount shall be set forth in the Award Agreement. The Committee may establish a maximum aggregate total (a "pool") of Long-Term Performance Cash Awards for the entire Company for a particular period, which shall be apportioned among the Company's business lines to be distributed to the Participants within the business lines. The terms and conditions of the Long-Term Performance Cash Awards shall be specified by the Award Agreement.

11.2 *Terms.* The Committee, in its sole discretion, may specify the restrictions applicable to the particular Award, the vesting schedule (which may be based on service, the attainment of specified performance goals or other factors), and rights to acceleration of vesting. The Committee shall also determine when the restrictions shall lapse or expire and the conditions, if any, under which the Long-Term Performance Cash will be forfeited. Each Award of Long-Term Performance Cash may have different restrictions and conditions. The Committee, in its discretion, may prospectively change the restriction period and the restrictions applicable to any particular Award of Long-Term Performance Cash.

11.3 *Payment.* Upon satisfaction of the Award vesting requirement and certification by the Committee of applicable performance factors, the final Long-Term Performance Cash Award will be calculated and will be paid in a reasonable period of time after certification by the Committee, but in any event by the 15th day of the third month following the end of the year in which the Long-Term Performance Cash Award is no longer subject to a substantial risk of forfeiture.

11.4 *Forfeiture and Clawback upon Breach of Non-Solicitation or Confidentiality Covenants.* As provided in Section 4.5, each Participant may be required to enter into an agreement with the Company containing such confidentiality, non-solicitation, and/or other provisions as the Committee may adopt and approve from time to time. If the Committee determines that a Participant has breached such agreement, the Participant shall have no further right to receive any Long-Term Performance Cash payments, and the Participant shall, within ten (10) days of notice of the Committee's determination of such breach, repay to the Company any amounts previously paid pursuant to Long-Term Performance Cash Awards within the twelve (12) months preceding the Participant's Separation from Service. These forfeiture and clawback rights are in addition to, and not in substitution of, any rights of repurchase or other recoupment rights the Company may have. See notes above

11.5 *Separation from Service.* To the extent not otherwise provided in a Long-Term Performance Cash Award Agreement, the following terms apply:

(a) Death or Disability. In the event that a Participant Separates from Service due to death or Disability, all of the Participant's unsettled Long-Term Performance Cash Awards shall be forfeited, and instead the Company shall settle such Awards by making a cash payment equal to the Long-Term Performance Cash Award target amount, prorated by the number of full or partial months in the Award Period at the time of the Participant's Separation from Service due to death or Disability, paid in accordance with Section 11.3. As a condition precedent to this cash settlement, the Company may require from the Participant or his/her executor or legal representative a general release of the Company, its Affiliates and their employees, officers and directors, in form and substance reasonably satisfactory to the Committee.

(b) Double-Trigger Event. In the event that a Participant experiences a Double-Trigger Event, all of the Participant's unsettled Long-Term Performance Cash Awards Units shall be forfeited, and instead the Company shall settle such Awards by making a cash payment equal to the target value of the Long-Term Performance Cash Award, paid at 100% of target, paid in accordance with Section 11.3, provided that any payment may be adjusted to ensure full deductibility of such payment.

(c) Sale or Closure of a Business Unit. In the event that the Company divest of or winds-down substantially all of the operations of Participant's Business Unit (by actions of Persons other than Participant) during the Award Period prior to the settlement of the Award, (i) if the Participant Separates from Service with the Company but is employed by the purchaser of the Business Unit or its assets and the purchaser has a comparable incentive plan in which employee will participate, all unvested and unsettled Long-Term Performance Cash Award Units of the Participant shall be forfeited; or (ii) if the Participant Separates from Service due to the Business Unit's sale or closure or Participant continues employment with the purchaser and no comparable incentive plan is offered to the employee, then: (y) a portion of the Long-Term Performance Cash Award Units shall vest, such portion calculated by multiplying the Performance Units by the Pro-Rata Percentage, and such vested units shall be settled by making a cash payment equal to the target value of the Long-Term Performance Cash Award vested in accordance with this Section 11.5(c), and paid in accordance with Section 11.3, provided that any payment may be adjusted to ensure full deductibility of such payment and (z) all other unvested and unsettled Long-Term Performance Cash Award Units shall be forefeited and no further payment made.

(d) *All Other Separations from Service.* In the event that a Participant Separates from Service due to any reason other than those specified in the foregoing subparagraphs of this Section 11.5, all unsettled Long-Term Performance Cash Awards shall be forfeited and no payment shall be made.

12. Compliance with Securities and Other Laws

In no event shall the Company be required to sell or issue Awards if the sale or issuance thereof would constitute a violation of applicable federal or state securities laws or regulations or a violation of any other law or regulation of any governmental or regulatory agency or authority or any securities exchange applicable to equity interests in the Company or any of its Affiliates.

13. Adjustments upon Changes in Capitalization, Reorganization, or Change in Control Event

In the event the Committee determines that any distribution (whether in the form of cash, other securities, or other property), Change in Control, recapitalization, contributions to capital, split, reverse split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of shares of the Company, issuance of warrants or other rights to purchase Company shares or other equity interests, or other similar transaction or event affects the number or value of Shares or Units such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available by grants of Awards under the Plan, then the Committee shall, in such manner as it may in its sole discretion deem equitable, adjust any or all of (i) the number and type of Shares or Units subject to outstanding Awards and the price or value of such Units or Shares; (ii) the total outstanding Units; (iii) the number of Shares and/or Units available for issuance under the Plan; and (iv) the Book Value Per Share or the manner in which the Book Value Per Share is determined.

14. Amendment or Termination of the Plan

14.1 *Amendment of the Plan.* Notwithstanding anything contained in the Plan to the contrary, all provisions of the Plan may at any time or from time to time be modified or amended by the Board; provided, however, that no Award at any time outstanding under the Plan may be modified, impaired or canceled adversely to the holder of the Award without the consent of such holder.

14.2 *Termination of the Plan.*

(a) The Board may suspend or terminate the Plan at any time, and such suspension or termination may be retroactive or prospective.

(b) The termination of the Plan shall not impair or affect any Award previously granted hereunder and the rights of the holder of the Award shall remain in effect until the Award has been paid in its entirety or has expired or otherwise has been terminated in accordance with the terms of such Award.

15. Amendments and Adjustments to Awards

The Committee may amend, modify or terminate any outstanding Award with the Participant's consent at any time prior to payment or satisfaction of the Award in any manner not inconsistent with the terms of the Plan. The Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or non-recurring events (including, without limitation, the events described in Section 13 hereof) affecting the Company, or the financial statements of the Company or any participating Affiliate, or of changes in applicable laws, regulations or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent reduction or enlargement of the benefits or potential benefits intended to be made available under the Plan. The determinations of value under this Section 15 shall be made by the Committee in its sole discretion.

16. General Provisions

16.1 *No Limit on Other Compensation Arrangements.* Nothing contained in the Plan shall prevent the Company from adopting or continuing in effect other compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

16.2 *No Right to Employment or Service.* Nothing in the Plan or in any Award, nor the grant of any Award, shall confer upon or be construed as giving any Participant any right to remain in the employ or service of the Company or any Affiliate. Further, the Company and its Affiliates may at any time dismiss a Participant from employment or service, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement. No Participant, Director, Employee, or other person shall have any claim to be granted any Award, and there is no obligation for uniform treatment of Employees, Directors, Participants or Beneficiaries.

16.3 *Governing Law.* Except to the extent that federal law is controlling, the validity, construction and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Texas, without giving effect to the conflicts of laws principles thereof.

16.4 *Severability.* If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or as to any person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be construed or deemed amended without, in the sole determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

16.5 *Headings*. Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

16.6 *Effective Date.* The Plan shall be effective as of the Effective Date after its approval by the Board effective as of such date.

16.7 *Non-Transferability of Awards.* All amounts payable or Shares granted under an Award constitute remuneration for personal services, and Awards and the right to payment under an Award shall not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant in any respect whatsoever, except that amounts payable under an Award may be paid to a Beneficiary in accordance with the terms of the Plan and the Award Agreement. Any assignment, alienation, pledge, attachment, transfer, or encumbrance contrary to the foregoing shall be void.

16.8 *Tax Withholding*. The Company and its participating Affiliates shall have the right to withhold or require separate payment of all federal, state, local or other taxes or payments with respect to any Award or payment made under the Plan. Such amounts shall be withheld or paid prior to the delivery of any amount payable under an Award subject to such withholding. To the extent permitted by the Company, such a payment may be made by a) the delivery of cash to the Company or applicable Affiliate in an amount that equals or exceeds the withholding obligation of the Company, b) authorizing the Company to withhold from any cash payment made under an Award an amount that equals or exceeds the withholding obligation of the Company; or c) authorizing the Company to withhold from the Shares granted under the Award the number of Shares of common stock as are necessary to satisfy the Company's withholding obligation, valuing such Shares at Book Value Per Share. All determinations of withholding liability under this Section shall be made by the Company in its sole discretion and shall be binding upon the Participant and any Beneficiary.

16.9 *Unfunded Plan.* The Plan shall be unfunded and shall not create (or be construed to create) a trust or a separate fund or funds. The Plan shall not establish any fiduciary relationship between the Company or any participating Affiliate and any Participant or other person. To the extent any person holds any rights by virtue of an Award granted under the Plan, such rights shall be no greater than the rights of an unsecured general creditor of the Company.

16.10 *Writing Requirement*. A requirement hereunder that an agreement, notice, or other instrument be written will be considered satisfied if the instrument is provided in electronic form that is approved by the Committee and that may be retained and reproduced in paper form.

16.11 *Compensation Recoupment*. Notwithstanding any other provisions in this Plan, any Award that is subject to recovery under any law, government regulation, Award Agreement, or other agreement will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation, Award Agreement, other agreement (or any policy adopted by the Company pursuant to any such law or government regulation).

17. Compliance with Code Section 409A

17.1 *Purpose and Interpretation*. With respect to Participants subject to United States federal income tax, the Plan is intended to comply with applicable requirements to avoid a plan failure under Code section 409A and shall be construed and applied accordingly by the Committee.

17.2 *Compliance Amendments*. To the extent any provision of the Plan or any omission from the Plan would (absent this Section 17.2) cause amounts to be includable in income under Code section 409A(a)(1), the Plan shall be deemed amended to the extent necessary to comply with the requirements of Code section 409A; *provided, however*, that this Section 17.2 shall not apply and shall not be construed to amend any provision of the Plan to the extent this Section 17.2 or any amendment required thereby would itself cause any amounts to be includable in income under Code section 409A(a)(1).

17.3 *Timing of Distributions.* If an Award is intended to qualify as a short-term deferral that is exempt from section 409A and provides for distribution or settlement upon vesting or lapse of a risk of forfeiture, and the time of such distribution or settlement is not otherwise specified in the Plan or the Award Agreement or other governing document, the distribution or settlement shall be made by the fifteenth day of the third month after the end of the Plan Year following the Plan Year in which such Award vested or the risk of forfeiture lapsed. In the case of any distribution of any other Award subject to Code section 409A, if the timing of such distribution is not otherwise specified in the Plan, Award Agreement or other governing document, the distribution shall be made not later than the end of the calendar year during which the settlement of such Award is specified to occur.

17.4 *Delay in Payment*. Notwithstanding anything to the contrary in the Plan, (a) if upon the date of a Participant's "separation from service" (as defined for purposes of Code sections 409A(a)(2)(A)(i) and 409A(a)(2)(B)(i)) with the Company and its controlled subsidiaries and affiliates the Participant is a "specified employee" within the meaning of Code section 409A (determined by applying the default rules applicable under such Code section except to the extent such rules are modified by a written resolution that is adopted by the Committee and that applies for purposes of all deferred compensation plans of the Company and its affiliates), and the deferral of any amounts otherwise payable under Plan as a result of the Participant's separation from service is necessary to prevent any accelerated or additional tax to the Participant under Code section 409A, then the Company shall defer the payment of any such amounts hereunder until the date that is six months following the date of the Participant's separation from service**,** at which time any such delayed amounts shall be paid or provided to the Participant and (b) if any other payments of money or other Awards or benefits due to a Participant hereunder could cause the application of an accelerated or additional tax under Code section 409A, such payments or other benefits shall be deferred and paid on the first day that would not result in the Participant incurring any tax liability under Code section 409A if such deferral would make such payment or other benefits compliant under section 409A of the Code.

Exhibit A

Participating Affiliates

Skyward Specialty Insurance Group, Inc.

Skyward Service Company

Skyward Underwriters Agency, Inc.

SKYWARD SPECIALTY INSURANCE GROUP, INC.
LONG-TERM INCENTIVE PLAN
2021-2023 Long-Term Performance Cash Award Agreement

THIS AWARD AGREEMENT (this "Agreement") is made effective as of the _____ day of _____ 20___, (the "Grant Date") by Skyward Specialty Insurance Group, Inc. a Delaware Corporation (the "Company") and its participating Affiliates, as defined in the Plan, and its terms are acknowledged and agreed to by [NAME OF PERSON RECEVING AWARD] (the "Participant").

WHEREAS, the Board of Directors of the Company (the "Board") has adopted the Skyward Specialty Insurance Group, Inc. Long-Term Incentive Plan (2020), as amended and restated from time to time (the "Plan"), which Plan is incorporated herein by reference and made part of this Agreement;

WHEREAS, any Capitalized terms used in this Agreement, but not defined herein, shall have the meaning as defined in the Plan; and

WHEREAS, the Compensation Committee of the Board (the "Committee") has decided to grant this award of long-term performance cash (the "LTP Cash Award") to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, for good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Grant of the LTP Cash Award. Pursuant to Section 11 of the Plan, the Company hereby grants to the Participant a LTP Cash Award (this "Award") in the target amount of $[AMOUNT], in consideration for the achievement of specific performance objectives during the established performance period, the determination of which is in the sole discretion of the Committee. The LTP Cash Award amount that the Participant actually earns for the Award Period will be determined by the Committee based on the level of achievement of certain performance objectives as provided below.

2. Award Period. For purposes of this Award, the term "Award Period" shall be the period commending on January 1, 2021 and ending on December 31 2023.

3. Performance Objectives. The Committee will determine the amount of the LTP Cash Award earned by the Participant after the end of the Award Period based on the level of achievement of the performance objectives set forth in Exhibit A. All determinations of whether performance objectives have been achieved, the amount of the LTP Cash Award earned by the Participant, and all other matters related to this Section 3 shall be made by the Committee in its sole discretion. No later than the 15th day of the third month following the end of the Award Period, the Committee will review and certify in writing (a) whether, and to what extent, the performance objections for the Award Period have been achieved, and (b) the amount of LTP Cash Award that the Participant shall earn if any, subject to the vesting requirements of Section 4 below. Such certification shall be final, conclusive and binding on the Participant and on all other persons, to the maximum extent permitted by law.

4. Vesting of LTP Cash Award. Unless and until vested, the Participant shall have no rights to the compensation represented by the LTP Cash Award granted pursuant to this Award, and such LTP Cash shall be subject to forfeiture as provided herein and in the Plan. The LTP Cash will vest, if at all, on the date the Committee certifies the Participant's achievement of the performance objectives as provided in Section 3 above (the "Vesting Date"). On the Vesting Date, vesting of the LTP Cash granted pursuant to this Award will occur in accordance with the provisions set forth in Article 11 of the Plan and pursuant to the following: (a) the Participant must have achieved the minimum threshold performance objectives for payout set forth in Exhibit A attached hereto; and (b) the Participant must have been and remain continuously employed with the Company from the Grant Date through the Vesting Date. The amount of LTP Cash that vest and become payable under this Agreement shall be determined by the Committee based on the level of achievement of the performance objectives set forth in Exhibit A.

5. Separation from Service. Notwithstanding the vesting conditions specified in Section 4, if the Participant Separates from Service with the Company prior to the end of the Award Period due to death or Disability, or due to the divesture or wind-down of a Business Unit, or if Participant experiences a Double Trigger event, the LTP Cash Award will vest in accordance with the terms of the Plan.

Except as otherwise set forth herein or in the Plan, if the Participant Separates from Service with the Company prior to the end of the Award Period for any reason other than those specified in the foregoing subparagraph, all unvested or unsettled LTP Cash Awards shall be forfeited and no payment shall be made.

6. Payment. Upon vesting, the LTP Cash Award will be settled for cash. The amount of performance adjusted LTP Cash Award will be calculated as the product of the target amount of the LTP Cash Award and the performance factor certified by the Committee. Any cash payment for a vested LTP Cash Award will be paid in a reasonable period of time after certification by the Committee, but in any event by the 15th day of the third month following the end of the year in which the LTP Cash Award payment is no longer subject to substantial risk of forfeiture.

7. No Rights as a Shareholder. LTP Cash Awards are not Shares or other equity interest in the Company or any participating Affiliate. The Participant shall have none of the rights of a shareholder or owner of equity interests in the Company or any participating Affiliate with respect to the LTP Cash granted in this Award.

8. Tax Withholding. The Company and its participating Affiliates shall have the right to withhold or require separate payment of all federal, state, local or other taxes or payments with respect to any Award or payment made under the Plan. Such amounts shall be withheld or paid prior to the delivery of any amount payable under an Award subject to such withholding. To the extent permitted by the Company, such a payment may be made by a) the delivery of cash to the Company or applicable Affiliate in an amount that equals or exceeds the withholding obligation of the Company, or b) authorizing the Company to withhold from any cash payment made under an Award an amount that equals or exceeds the withholding obligation of the Company. All determinations of withholding liability under this section shall be made by the Company in its sole discretion and shall be binding upon the Participant and any Beneficiary.

Notwithstanding any action the Company takes with respect to any or all income tax, social security insurance, payroll tax, or other tax-related withholding ("Tax Related Items"), the ultimate liability for all Tax Related Items is and remains the Participant’s responsibility and the Company makes no representations or undertakings regarding the treatment of any Tax Related Items in connection with the grant, vesting or settlement of the LTP Cash Award.

9. Section 409A. This Agreement is intended to comply with Section 409A of the Code or an exemption there under and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A of the Code and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A of the Code.

10. Clawback upon Breach of Non-Solicitation or Confidentiality Covenants. Amounts paid pursuant to this Agreement are subject to clawback by the Company pursuant to Section 11.4 of the Plan. The Participant will be required to enter into an agreement with the Company containing such confidentiality, non-solicitation, and/or other provisions as the Committee may adopt and approve from time to time. If the Committee determines that the Participant has breached such agreement: (i) all unvested or unsettled LTP Cash Awards respecting the Participant will be forfeited; and (ii) the Participant shall, within ten (10) days of notice of the Committee's determination of such breach, repay all cash paid in settlement of the LTP Cash Award within twelve (12) months preceding the Participant's Separation of Service. These forfeiture and clawback rights are in addition to, and not in substitution of, any rights of repurchase or other recoupment rights the Company may have.

11. Compliance with Laws. The granting of the LTP Cash Award and any other obligations of the Company under this Agreement shall be subject to all applicable federal, provincial, state, local and foreign laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required.

12. No Right to Continued Employment. Neither the Plan nor this Agreement shall be construed as giving the Participant the right to be retained in any position, as an Employee or Director, with the Company. Further, the Company may at any time dismiss the Participant or discontinue any relationship, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein in this Agreement or the Plan. In addition, nothing herein shall obligate the Company to make future awards to the Participant.

13. No Impact on Other Benefits. The value of the Participant's Award is not part of his or her normal or expected compensation for purposes of calculate any severance, retirement, welfare, insurance or similar employee benefit.

14. Award Subject to Plan. By entering into this Agreement, the Participant agrees and acknowledges that (i) this Award is subject to all of the terms and conditions set forth in the Plan and this Agreement; and (ii) the Participant has received and read a copy of the Plan and understands the terms of the Plan. Capitalized terms not explicitly defined in this Agreement but defined in the Plan shall have the same meaning as in the Plan.

15. Beneficiary Designation. The Participant may file with the Company a written designation of a beneficiary on such form as may be prescribed by the Company and may, from time to time, amend or revoke such designation (a "Beneficiary). If no Beneficiary is designated, if the designation is ineffective, or if the Beneficiary dies before the balance of the Participant's benefit is paid, the balance shall be paid to the Participant's legal spouse, if any, or in the absence of any of the above, to the Participant's estate. Notwithstanding the foregoing, however, the Participant's Beneficiary shall be determined under applicable state law if such state law does not recognize Beneficiary designations under Awards of this type and is not preempted by laws which recognize thy provisions of this Section.

16. Non-Transferability. All amounts payable under this Award constitute remuneration for personal service. Awards, and the right to payment under an Award, shall not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant in any respect whatsoever, except that amounts payable under an Award may be paid to a Beneficiary in accordance with the terms of the Plan and the Award Agreement. Any assignment, alienation, pledge, attachment, transfer, or encumbrance contrary to the foregoing shall be void.

17. Successors and Assigns. This Award shall be binding upon and inure to the benefit of the Company and its successors and assigns, and of the Participant and the beneficiaries, executors, administrators, heirs and successors of the Participant.

18. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by the Participant or the Company to the Committee for review. The resolution for such dispute by the Committee shall be final and binding on the Participant and the Company.

19. Discretionary Nature of the Plan. The Plan is discretionary and may be amended, cancelled or terminated by the Company at any time, in the Company's sole discretion. The grant of the Award in this Agreement does not create any contractual right or other right to receive any Awards or other grants in the future. Future grants, if any, will be at the sole discretion of the Company. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of Participant's employment with the Company.

20. Amendment; Waiver. The Committee at any time, and from time to time, may amend the terms of this Agreement, provided, however, that the rights of the Participant shall not be materially adversely affected without the Participant's written consent (except to the extent permitted under the Plan). No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages.

21. Notice. Any notice necessary under this Award shall be addressed to the Corporate Secretary of the Company at the Company's principal executive offices and to the Participant at the address appearing in the personnel records of the Company or to either party at such other address as such party, hereto, may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

22. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

23. Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

24. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of Texas.

25. Entire Agreement. This Agreement, the Plan, and the rules and procedures adopted by the Committee, contain all of the provisions applicable to this Award. No other statements, documents or practices may modify, waive or alter this Agreement unless expressly set forth in writing, signed by an authorized officer of the Company and delivered to the Participant, and no statements, documents or practices may modify, waive or alter the Plan except by an amendment to the Plan made in accordance with the terms of the Plan.

26. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the day and year first above written.

By: _____
[PARTICIPANT NAME]

By: _____
[SIGNATORY NAME]
[TITLE]
Skyward Specialty Insurance Group, Inc.

Award Details:
$[AMOUNT] of Long-Term Performance Cash

EXHIBIT A

The Award Period is made up of three Performance Periods, such Performance Periods to be:

Performance Period 1	January 1, 2021 to December 31, 2021
Performance Period 2	January 1, 2022 to December 31, 2022
Performance Period 3	January 1, 2023 to December 31, 2023

The of amount of the total LTP Cash Award earned shall be determined by reference to the Company's Combined Ratio, as provided on the Company's year-end GAAP financial statements. The Combined Ratio for the Award Period shall be determined as a straight-line average of the Combined Ratios at year-end of each of the Performance Periods.

An overall funding pool will be established for all Participants, subject to a percentage adjustment, (the "Performance-Adjusted Pool"), up or down, based on the three-year calculated Combined Ratio, as noted below. Each Business Unit will receive an allocation of the Performance-Adjusted Pool based on an assessment of the Business Unit's performance during the Award Period relative to that of all other Business Units and to be expressed as a percentage amount. The Business Unit allocation is determined by the CEO, in his/her sole discretion; which decision is final. Participants in each Business Unit shall earn their respective Business Unit's percentage amount applied against their target LTP amount.

Calculated 3-year Combined Ratio	% of Targeted LTP Cash Award
89.5%	150%
90.5%	140%
91.5%	130%
92.5%	120%
93.5%	110%
94.5%	100%
95.5%	80%
96.5%	60%
97.5%	40%
>97.5	0%

SKYWARD SPECIALTY INSURANCE GROUP, INC.
LONG-TERM INCENTIVE PLAN
2021-2023 Performance Share Award Agreement

THIS AWARD AGREEMENT (this "Agreement") is made effective as of the [DAY] day of [MONTH] [YEAR], (the "Grant Date") by Skyward Specialty Insurance Group, Inc. a Delaware Corporation (the "Company") and its participating Affiliates, as defined in the Plan, and its terms are acknowledged and agreed to by [NAME OF PERSON RECEVING AWARD] (the "Participant").

WHEREAS, the Board of Directors of the Company (the "Board") has adopted the Skyward Specialty Insurance Group, Inc. Long-Term Incentive Plan (2020), as amended and restated from time to time (the "Plan"); and

WHEREAS, any Capitalized terms used in this Agreement, but not defined herein, shall have the meaning as defined in the Plan; and

WHEREAS, the Compensation Committee of the Board (the "Committee") has decided to grant this award of performance shares (the "Performance Shares") to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, for good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Grant of the Performance Shares. Pursuant to Section 9 of the Plan, the Company hereby grants to the Participant a Performance Share Award in the target amount of [NUMBER OF SHARES] Performance Shares (this "Award") in consideration for the achievement of specific performance objectives by the Participant during his/her employment, the determination of which is in the sole discretion of the Committee. Each Performance Share represents the right to receive one Share of common stock. The number of Performance Shares that the Participant actually earns for the Award Period (up to a maximum of [NUMBER OF SHARES]) will be determined by the Committee based on the level of achievement of certain performance, as provided below.

The Performance Shares shall be credited to a notional account that is separate from the Company's stock ledger (the "Participant Account"), maintained by the Company on the books and records of the Company, and shall be considered the general assets of the Company.

2. Award Period. For purposes of this Award, the term "Award Period" shall be the period commencing on January 1, 2021 and ending on December 31 2023.

3. Performance Objectives. The Committee will determine the number of Performance Shares earned by the Participant for the Award Period after the end of the Award Period based on the level of achievement of the performance objectives set forth in Exhibit A. All determinations of whether performance objectives have been achieved, the number of Performance Shares earned by the Participant, and all other matters related to this Section 3 shall be made by the Committee in its sole discretion. No later than the 15th day of the third month following the end of the Award Period, the Committee will review and certify in writing (a) whether, and to what extent, the performance objections for the Award Period have been achieved, and (b) the number of Performance Shares that the Participant shall earn, if any, subject to the vesting requirements of Section 4 below. Such certification shall be final, conclusive and binding on the Participant and on all other persons, to the maximum extent permitted by law.

4. Vesting of Performance Shares. Unless and until vested, the Participant shall have no rights to the compensation represented by the Performance Shares granted pursuant to this Award, and such Performance Shares shall be subject to forfeiture as provided herein and in the Plan. The Performance Shares will vest, if at all, on the date the Committee certifies the Participant's achievement of the performance objectives as provided in Section 3 above (the "Vesting Date"). On the Vesting Date, vesting of Performance Shares granted pursuant to this Award will occur in accordance with the provisions set forth in Article 9 of the Plan and pursuant to the following: (a) the Participant must have achieved the minimum threshold performance objectives for payout set forth in Exhibit A attached hereto; and (b) the Participant must have been and remain continuously employed with the Company from the Grant Date through the Vesting Date. The number of Performance Shares that vest and become payable under this Agreement shall be determined by the Committee based on the level of achievement of the performance objectives set forth in Exhibit A and shall be rounded to the nearest whole Performance Share.

5. Separation from Service. Notwithstanding the vesting conditions specified in Section 4, if the Participant Separates from Service with the Company prior to the end of the Award Period due to death or Disability, or due to the divestiture or wind-down of a Business Unit, or if Participant experiences a Double Trigger event, the Performance Shares will vest in accordance with the terms of the Plan.

Except as otherwise set forth herein or in the Plan, if the Participant's Separates from Service with the Company prior to the end of the Award Period, then (i) all unvested and unsettled Performance Shares, all Dividend Equivalent Rights and all credits granted under Dividend Equivalent Rights shall be forfeited; and (ii) if there is no public market for the Shares, the Participant may offer to sell all or any portion of his/her Shares previously issued in settlement of vested Performance Shares by submitting, at least one year in advance of sale date, an irrevocable written offer to the CEO to sell a specified number of Shares. If accepted, such Shares will be purchased by the Company at the Book Value Per Share in effect as of the date that is twelve (12) months following receipt of the request, with the closing on such repurchase to occur on a date determined by the Committee in its discretion, not to exceed fourteen (14) months following receipt of the request.

6. Settlement. Upon vesting, Performance Shares will be settled in Shares or, under circumstances provided under this Agreement or Article 9 of the Plan, for cash, or any combination thereof as the Committee may determine. Settlement shall occur within a reasonable period of time after the Committee has so certified, but in any event by the 15th day of the third month following the end of the year in which the Shares are no longer subject to the substantial risk of forfeiture. The Participant shall not have any rights of a shareholder with respect to the Shares of common stock underlying the Performance Shares unless and until the Performance Shares vest and are settled by the issuance of such Shares of Common stock.

7. Rights as a Shareholder. Upon and following the settlement of the Performance Shares in Shares, the Participant shall be the record owner of the Shares underlying the Performance Shares unless and until shares are cancelled or repurchased by the Company or are otherwise transferred pursuant to the terms of the Shareholder Agreement. As the record owner of Shares, the Participant shall be entitled to all rights of a common shareholder of the Company, including the right to vote the Shares. Following the settlement date, and in any event no later than twelve (12) months following the completion of such vesting, the Company shall issue and deliver to Participant the hard-copy certificate memorializing the number of Shares owned by the Participant.

8. Shareholder Agreement. In connection with, and as a condition to the vesting and settlement of the Performance Shares, the Participant will be required to become a party to the Company's Shareholder Agreement (the "Shareholder Agreement"). The Shareholder Agreement may contain restrictions on the transferability of the Shares (such as a right of first refusal or a prohibition on transfer), and such Shares may be subject to tag-along rights and drag-along rights of the Company and certain of its investors and repurchase rights of the Company, among other provisions, as provided in Section 9.5 of the Plan.

9. Dividend Equivalent Rights. In connection with and as a component of this Performance Share Award, the Committee hereby further grants Participant a Dividend Equivalent Right. As such, if prior to the settlement date of a vested Performance Share, the Company declares a cash or stock dividend on its Shares of common stock, then on the payment date of the dividend, the Participant's Account shall be credited with dividend equivalents in the amount equal to the dividends that would have been paid to the Participant if one Share had been issued on the Grant Date for each of the target Performance Shares granted to the Participant in this Award. Dividend equivalents credited to the Participant's Account shall be deemed to be reinvested in additional Performance Shares (which may thereafter accrue additional Dividend Equivalent Rights). Any such reinvestment shall be at the Book Value Per Share in effect at the time thereof. Dividend Equivalent Rights may be settled in cash or Shares, or a combination thereof. Dividend Equivalent Rights that are a component of a Performance Share Award shall be settled concurrently with the Performance Shares to which they relate and shall expire or be forfeited or annulled under the same conditions as such Performance Share.

10. Legend. Shares issued in connection with stock settlement of Performance Shares shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan, the Shareholder Agreement, or the rules, regulations, and other requirements of the Securities and Exchange Commission, any share exchange upon which the Company's Common Stock are listed, and any applicable federal, state or foreign laws, and the Committee may cause an appropriate reference to such restrictions to be made in the Company's share transfer books or on any certificate that may be issued to evidence any vested Shares.

11. Tax Withholding. The Company and its participating Affiliates shall have the right to withhold or require separate payment of all federal, state, local or other taxes or payments with respect to any Award or payment made under the Plan. Such amounts shall be withheld or paid prior to the delivery of any amount payable under an Award subject to such withholding. To the extent permitted by the Company, such a payment may be made by a) the delivery of cash to the Company or applicable Affiliate in an amount that equals or exceeds the withholding obligation of the Company, b) authorizing the Company to withhold from any cash payment made under an Award an amount that equals or exceeds the withholding obligation of the Company; or c) authorizing the Company to withhold from the Performance Shares granted under the Award, the number of Performance Shares of common stock as are necessary to satisfy the Company's withholding obligation, valuing such Performance Shares at Book Value Per Share. All determinations of withholding liability under this section shall be made by the Company in its sole discretion and shall be binding upon the Participant and any Beneficiary.

Notwithstanding any action the Company takes with respect to any or all income tax, social insurance, payroll tax, or other tax-related withholding ("Tax Related Items"), the ultimate liability for all Tax Related Items is and remains the Participant's responsibility and the Company makes no representations or undertakings regarding the treatment of any Tax Related Items in connection with the grant, vesting or settlement of the Performance Shares or the subsequent sale of any shares. Further the Company does not commit to structure the Performance Shares to reduce or eliminate the Participant's liability for Tax Related Items.

12. Section 409A. This Agreement is intended to comply with Section 409A of the Code or an exemption there under and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A of the Code and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A of the Code.

13. Clawback upon Breach of Non-Solicitation or Confidentiality Covenants. Amounts paid or Shares awarded pursuant to this Agreement are subject to clawback by the Company pursuant to Section 9.6 of the Plan. The Participant will be required to enter into an agreement with the Company containing such confidentiality, non-solicitation, and/or other provisions as the Committee may adopt and approve from time to time. If the Committee determines that the Participant has breached such agreement: (i) all unvested or unsettled Performance Shares respecting the Participant will be forfeited; (ii) all Dividend Equivalent Rights and credits granted under Dividend Equivalent Rights shall be forfeited; (iii) all Shares issued in settlement of Performance Share Awards shall immediately be cancelled, and upon cancellation the Participant shall have no further rights under or to such Shares; and (iv) the Participant shall, within ten (10) days of notice of the Committee's determination of such breach, surrender any certificates evidencing such Shares not in the Company's custody or control and repay all cash payable or paid in settlement of the Performance Shares. These forfeiture and clawback rights are in addition to, and not in substitution of, any rights of repurchase or other recoupment rights the Company may have.

14. Securities Laws. The granting of the Performance Shares and any other obligations of the Company under this Agreement shall be subject to all applicable federal, provincial, state, local and foreign laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. At the end of the Restricted Period, the Participant will make or enter into such written representations, warranties and agreements as the Committee may reasonably request in order to comply with applicable securities laws and with this Agreement.

15. No Right to Continued Employment. Neither the Plan nor this Agreement shall be construed as giving the Participant the right to be retained in any position, as an Employee or Director, with the Company. Further, the Company may at any time dismiss the Participant or discontinue any relationship, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein in this Agreement or the Plan. In addition, nothing herein shall obligate the Company to make future awards to the Participant.

16. No Impact on Other Benefits. The value of the Participant's Award is not part of his or her normal or expected compensation for purposes of calculate any severance, retirement, welfare, insurance or similar employee benefit.

17. Award Subject to Plan. By entering into this Agreement, the Participant agrees and acknowledges that: (i) this Award is subject to all of the terms and conditions set forth in the Plan and this Agreement; and (ii) the Participant has received and read a copy of the Plan and understands the terms of the Plan and this Agreement. Capitalized terms not explicitly defined in this Agreement but defined in the Plan shall have the same meaning as in the Plan.

18. Beneficiary Designation. The Participant may file with the Company a written designation of a beneficiary on such form as may be prescribed by the Company and may, from time to time, amend or revoke such designation (a "Beneficiary). If no Beneficiary is designated, if the designation is ineffective, or if the Beneficiary dies before the balance of the Participant's benefit is paid, the balance shall be paid to the Participant's legal spouse, if any, or in the absence of any of the above, to the Participant's estate.

Notwithstanding the foregoing, however, the Participant's Beneficiary shall be determined under applicable state law if such state law does not recognize Beneficiary designations under Awards of this type and is not preempted by laws which recognize thy provisions of this Section.

19. Adjustments. If any change is made to the outstanding Common Stock or the capital structure of the Company, if required, the Performance Shares shall be adjusted or terminated in any manner as contemplated by the Plan.

20. Non-Transferability. All amounts payable or Shares granted under an Award constitute remuneration for personal services. Awards, and the right to payment under an Award, shall not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant in any respect whatsoever, except that amounts payable under an Award may be paid to a Beneficiary in accordance with the terms of the Plan and the Award Agreement. Any assignment, alienation, pledge, attachment, transfer, or encumbrance contrary to the foregoing shall be void.

21. Successors and Assigns. This Award shall be binding upon and inure to the benefit of the Company and its successors and assigns, and of the Participant and the beneficiaries, executors, administrators, heirs and successors of the Participant.

22. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by the Participant or the Company to the Committee for review. The resolution for such dispute by the Committee shall be final and binding on the Participant and the Company.

23. Discretionary Nature of the Plan. The Plan is discretionary and may be amended, cancelled or terminated by the Company at any time, in the Company's sole discretion. The grant of the Award in this Agreement does not create any contractual right or other right to receive any Performance Shares or other grants in the future. Future grants, if any, will be at the sole discretion of the Company. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of Participant's employment with the Company.

24. Amendment; Waiver. The Committee at any time, and from time to time, may amend the terms of this Agreement, provided, however, that the rights of the Participant shall not be materially adversely affected without the Participant's written consent (except to the extent permitted under the Plan). No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages.

25. Notice. Any notice necessary under this Award shall be addressed to the Corporate Secretary of the Company at the Company's principal executive offices and to the Participant at the address appearing in the personnel records of the Company or to either party at such other address as such party, hereto, may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

26. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

27. Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

28. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of Texas.

29. Entire Agreement. This Agreement, the Plan, and the rules and procedures adopted by the Committee, contain all of the provisions applicable to this Award. No other statements, documents or practices may modify, waive or alter this Agreement unless expressly set forth in writing, signed by an authorized officer of the Company and delivered to the Participant, and no statements, documents or practices may modify, waive or alter the Plan except by an amendment to the Plan made in accordance with the terms of the Plan.

30. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the day and year first above written.

By: _____
[Participant Name]

By: _____
[Name of Signatory]
[Title of Signatory]
Skyward Specialty Insurance Group, Inc.

Award Detail
Target: [NUMBER] Performance Shares

EXHIBIT A

The Award Period is made up of three Performance Periods, such Performance Periods to be:

Performance Period 1	January 1, 2021 to December 31, 2021
Performance Period 2	January 1, 2022 to December 31, 2022
Performance Period 3	January 1, 2023 to December 31, 2023

The number of Performance Shares earned shall be determined by reference to the Company's Combined Ratio, as provided on the Company's year-end GAAP financial statements, as certified by the Committee. The Combined Ratio for the Award Period shall be determined as a straight-line average of the Combined Ratios at year-end of each of the Performance Periods.

Participant shall earn the percentage of the targeted number of Performance Shares (such percentage to be interpolated) based on the three-year calculated Combined Ratio, as noted below:

Calculated 3-year Combined Ratio	% of Targeted Shares Earned
89.5%	150%
90.5%	140%
91.5%	130%
92.5%	120%
93.5%	110%
94.5%	100%
95.5%	80%
96.5%	60%
97.5%	40%
>97.5	0%

SKYWARD SPECIALTY INSURANCE GROUP, INC.
LONG-TERM INCENTIVE PLAN
2021-2023 Performance Share Award Agreement

THIS AWARD AGREEMENT (this "Agreement") is made effective as of the [DAY] day of [MONTH] [YEAR], (the “Grant Date”) by Skyward Specialty Insurance Group, Inc. a Delaware Corporation (the "Company") and its participating Affiliates, as defined in the Plan, and its terms are acknowledged and agreed to by [NAME OF PERSON RECEVING AWARD] (the "Participant").

WHEREAS, the Board of Directors of the Company (the "Board") has adopted the Skyward Specialty Insurance Group, Inc. Long-Term Incentive Plan (2020), as amended and restated from time to time (the "Plan"); and

WHEREAS, any Capitalized terms used in this Agreement, but not defined herein, shall have the meaning as defined in the Plan; and

WHEREAS, the Compensation Committee of the Board (the "Committee") has decided to grant this award of performance shares (the "Performance Shares") to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, for good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Grant of the Performance Shares. Pursuant to Section 9 of the Plan, the Company hereby grants to the Participant a Performance Share Award in the target amount of [NUMBER OF SHARES] Performance Shares (this "Award") in consideration for the achievement of specific performance objectives by the Participant during his/her employment, the determination of which is in the sole discretion of the Committee. Each Performance Share represents the right to receive one Share of common stock. The number of Performance Shares that the Participant actually earns for the Award Period (up to a maximum of [NUMBER OF SHARES]) will be determined by the Committee based on the level of achievement of certain performance, as provided below.

The Performance Shares shall be credited to a notional account that is separate from the Company’s stock ledger (the "Participant Account"), maintained by the Company on the books and records of the Company, and shall be considered the general assets of the Company.

2. Award Period. For purposes of this Award, the term "Award Period" shall be the period commencing on January 1, 2021 and ending on December 31 2023.

3. Performance Objectives. The Committee will determine the number of Performance Shares earned by the Participant for the Award Period after the end of the Award Period based on the level of achievement of the performance objectives set forth in Exhibit A. All determinations of whether performance objectives have been achieved, the number of Performance Shares earned by the Participant, and all other matters related to this Section 3 shall be made by the Committee in its sole discretion. No later than the 15th day of the third month following the end of the Award Period, the Committee will review and certify in writing (a) whether, and to what extent, the performance objections for the Award Period have been achieved, and (b) the number of Performance Shares that the Participant shall earn, if any, subject to the vesting requirements of Section 4 below. Such certification shall be final, conclusive and binding on the Participant and on all other persons, to the maximum extent permitted by law.

4. Vesting of Performance Shares. Unless and until vested, the Participant shall have no rights to the compensation represented by the Performance Shares granted pursuant to this Award, and such Performance Shares shall be subject to forfeiture as provided herein and in the Plan. The Performance Shares will vest, if at all, on the date the Committee certifies the Participant's achievement of the performance objectives as provided in Section 3 above (the "Vesting Date"). On the Vesting Date, vesting of Performance Shares granted pursuant to this Award will occur in accordance with the provisions set forth in Article 9 of the Plan and pursuant to the following: (a) the Participant must have achieved the minimum threshold performance objectives for payout set forth in Exhibit A attached hereto; and (b) the Participant must have been and remain continuously employed with the Company from the Grant Date through the Vesting Date. The number of Performance Shares that vest and become payable under this Agreement shall be determined by the Committee based on the level of achievement of the performance objectives set forth in Exhibit A and shall be rounded to the nearest whole Performance Share.

5. Separation from Service. Notwithstanding the vesting conditions specified in Section 4, if the Participant Separates from Service with the Company prior to the end of the Award Period due to death or Disability, or due to the divestiture or wind-down of a Business Unit, or if Participant experiences a Double Trigger event, the Performance Shares will vest in accordance with the terms of the Plan.

Except as otherwise set forth herein or in the Plan, if the Participant's Separates from Service with the Company prior to the end of the Award Period, then (i) all unvested and unsettled Performance Shares, all Dividend Equivalent Rights and all credits granted under Dividend Equivalent Rights shall be forfeited; and (ii) if there is no public market for the Shares, the Participant may offer to sell all or any portion of his/her Shares previously issued in settlement of vested Performance Shares by submitting, at least one year in advance of sale date, an irrevocable written offer to the CEO to sell a specified number of Shares. If accepted, such Shares will be purchased by the Company at the Book Value Per Share in effect as of the date that is twelve (12) months following receipt of the request, with the closing on such repurchase to occur on a date determined by the Committee in its discretion, not to exceed fourteen (14) months following receipt of the request.

6. Settlement. Upon vesting, Performance Shares will be settled in Shares or, under circumstances provided under this Agreement or Article 9 of the Plan, for cash, or any combination thereof as the Committee may determine. Settlement shall occur within a reasonable period of time after the Committee has so certified, but in any event by the 15th day of the third month following the end of the year in which the Shares are no longer subject to the substantial risk of forfeiture. The Participant shall not have any rights of a shareholder with respect to the Shares of common stock underlying the Performance Shares unless and until the Performance Shares vest and are settled by the issuance of such Shares of Common stock.

7. Rights as a Shareholder. Upon and following the settlement of the Performance Shares in Shares, the Participant shall be the record owner of the Shares underlying the Performance Shares unless and until shares are cancelled or repurchased by the Company or are otherwise transferred pursuant to the terms of the Shareholder Agreement. As the record owner of Shares, the Participant shall be entitled to all rights of a common shareholder of the Company, including the right to vote the Shares. Following the settlement date, and in any event no later than twelve (12) months following the completion of such vesting, the Company shall issue and deliver to Participant the hard-copy certificate memorializing the number of Shares owned by the Participant.

8. Shareholder Agreement. In connection with, and as a condition to the vesting and settlement of the Performance Shares, the Participant will be required to become a party to the Company's Shareholder Agreement (the "Shareholder Agreement"). The Shareholder Agreement may contain restrictions on the transferability of the Shares (such as a right of first refusal or a prohibition on transfer), and such Shares may be subject to tag-along rights and drag-along rights of the Company and certain of its investors and repurchase rights of the Company, among other provisions, as provided in Section 9.5 of the Plan.

9. Dividend Equivalent Rights. In connection with and as a component of this Performance Share Award, the Committee hereby further grants Participant a Dividend Equivalent Right. As such, if prior to the settlement date of a vested Performance Share, the Company declares a cash or stock dividend on its Shares of common stock, then on the payment date of the dividend, the Participant's Account shall be credited with dividend equivalents in the amount equal to the dividends that would have been paid to the Participant if one Share had been issued on the Grant Date for each of the target Performance Shares granted to the Participant in this Award. Dividend equivalents credited to the Participant's Account shall be deemed to be reinvested in additional Performance Shares (which may thereafter accrue additional Dividend Equivalent Rights). Any such reinvestment shall be at the Book Value Per Share in effect at the time thereof. Dividend Equivalent Rights may be settled in cash or Shares, or a combination thereof. Dividend Equivalent Rights that are a component of a Performance Share Award shall be settled concurrently with the Performance Shares to which they relate and shall expire or be forfeited or annulled under the same conditions as such Performance Share.

10. Legend. Shares issued in connection with stock settlement of Performance Shares shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan, the Shareholder Agreement, or the rules, regulations, and other requirements of the Securities and Exchange Commission, any share exchange upon which the Company's Common Stock are listed, and any applicable federal, state or foreign laws, and the Committee may cause an appropriate reference to such restrictions to be made in the Company's share transfer books or on any certificate that may be issued to evidence any vested Shares.

11. Tax Withholding. The Company and its participating Affiliates shall have the right to withhold or require separate payment of all federal, state, local or other taxes or payments with respect to any Award or payment made under the Plan. Such amounts shall be withheld or paid prior to the delivery of any amount payable under an Award subject to such withholding. To the extent permitted by the Company, such a payment may be made by a) the delivery of cash to the Company or applicable Affiliate in an amount that equals or exceeds the withholding obligation of the Company, b) authorizing the Company to withhold from any cash payment made under an Award an amount that equals or exceeds the withholding obligation of the Company; or c) authorizing the Company to withhold from the Performance Shares granted under the Award, the number of Performance Shares of common stock as are necessary to satisfy the Company's withholding obligation, valuing such Performance Shares at Book Value Per Share. All determinations of withholding liability under this section shall be made by the Company in its sole discretion and shall be binding upon the Participant and any Beneficiary.

Notwithstanding any action the Company takes with respect to any or all income tax, social insurance, payroll tax, or other tax-related withholding ("Tax Related Items"), the ultimate liability for all Tax Related Items is and remains the Participant's responsibility and the Company makes no representations or undertakings regarding the treatment of any Tax Related Items in connection with the grant, vesting or settlement of the Performance Shares or the subsequent sale of any shares. Further the Company does not commit to structure the Performance Shares to reduce or eliminate the Participant's liability for Tax Related Items.

12. Section 409A. This Agreement is intended to comply with Section 409A of the Code or an exemption there under and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A of the Code and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A of the Code.

13. Clawback upon Breach of Non-Solicitation or Confidentiality Covenants. Amounts paid or Shares awarded pursuant to this Agreement are subject to clawback by the Company pursuant to Section 9.6 of the Plan. The Participant will be required to enter into an agreement with the Company containing such confidentiality, non-solicitation, and/or other provisions as the Committee may adopt and approve from time to time. If the Committee determines that the Participant has breached such agreement: (i) all unvested or unsettled Performance Shares respecting the Participant will be forfeited; (ii) all Dividend Equivalent Rights and credits granted under Dividend Equivalent Rights shall be forfeited; (iii) all Shares issued in settlement of Performance Share Awards shall immediately be cancelled, and upon cancellation the Participant shall have no further rights under or to such Shares; and (iv) the Participant shall, within ten (10) days of notice of the Committee's determination of such breach, surrender any certificates evidencing such Shares not in the Company's custody or control and repay all cash payable or paid in settlement of the Performance Shares. These forfeiture and clawback rights are in addition to, and not in substitution of, any rights of repurchase or other recoupment rights the Company may have.

14. Securities Laws. The granting of the Performance Shares and any other obligations of the Company under this Agreement shall be subject to all applicable federal, provincial, state, local and foreign laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. At the end of the Restricted Period, the Participant will make or enter into such written representations, warranties and agreements as the Committee may reasonably request in order to comply with applicable securities laws and with this Agreement.

15. No Right to Continued Employment. Neither the Plan nor this Agreement shall be construed as giving the Participant the right to be retained in any position, as an Employee or Director, with the Company. Further, the Company may at any time dismiss the Participant or discontinue any relationship, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein in this Agreement or the Plan. In addition, nothing herein shall obligate the Company to make future awards to the Participant.

16. No Impact on Other Benefits. The value of the Participant's Award is not part of his or her normal or expected compensation for purposes of calculate any severance, retirement, welfare, insurance or similar employee benefit.

17. Award Subject to Plan. By entering into this Agreement, the Participant agrees and acknowledges that: (i) this Award is subject to all of the terms and conditions set forth in the Plan and this Agreement; and (ii) the Participant has received and read a copy of the Plan and understands the terms of the Plan and this Agreement. Capitalized terms not explicitly defined in this Agreement but defined in the Plan shall have the same meaning as in the Plan.

18. Beneficiary Designation. The Participant may file with the Company a written designation of a beneficiary on such form as may be prescribed by the Company and may, from time to time, amend or revoke such designation (a "Beneficiary"). If no Beneficiary is designated, if the designation is ineffective, or if the Beneficiary dies before the balance of the Participant's benefit is paid, the balance shall be paid to the Participant's legal spouse, if any, or in the absence of any of the above, to the Participant's estate. Notwithstanding the foregoing, however, the Participant's Beneficiary shall be determined under applicable state law if such state law does not recognize Beneficiary designations under Awards of this type and is not preempted by laws which recognize thy provisions of this Section.

19. Adjustments. If any change is made to the outstanding Common Stock or the capital structure of the Company, if required, the Performance Shares shall be adjusted or terminated in any manner as contemplated by the Plan.

20. Non-Transferability. All amounts payable or Shares granted under an Award constitute remuneration for personal services. Awards, and the right to payment under an Award, shall not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant in any respect whatsoever, except that amounts payable under an Award may be paid to a Beneficiary in accordance with the terms of the Plan and the Award Agreement. Any assignment, alienation, pledge, attachment, transfer, or encumbrance contrary to the foregoing shall be void.

21. Successors and Assigns. This Award shall be binding upon and inure to the benefit of the Company and its successors and assigns, and of the Participant and the beneficiaries, executors, administrators, heirs and successors of the Participant.

22. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by the Participant or the Company to the Committee for review. The resolution for such dispute by the Committee shall be final and binding on the Participant and the Company.

23. Discretionary Nature of the Plan. The Plan is discretionary and may be amended, cancelled or terminated by the Company at any time, in the Company's sole discretion. The grant of the Award in this Agreement does not create any contractual right or other right to receive any Performance Shares or other grants in the future. Future grants, if any, will be at the sole discretion of the Company. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of Participant's employment with the Company.

24. Amendment; Waiver. The Committee at any time, and from time to time, may amend the terms of this Agreement, provided, however, that the rights of the Participant shall not be materially adversely affected without the Participant's written consent (except to the extent permitted under the Plan). No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages.

25. Notice. Any notice necessary under this Award shall be addressed to the Corporate Secretary of the Company at the Company's principal executive offices and to the Participant at the address appearing in the personnel records of the Company or to either party at such other address as such party, hereto, may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

26. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

27. Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

28. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of Texas.

29. Entire Agreement. This Agreement, the Plan, and the rules and procedures adopted by the Committee, contain all of the provisions applicable to this Award. No other statements, documents or practices may modify, waive or alter this Agreement unless expressly set forth in writing, signed by an authorized officer of the Company and delivered to the Participant, and no statements, documents or practices may modify, waive or alter the Plan except by an amendment to the Plan made in accordance with the terms of the Plan.

30. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the day and year first above written.

By: _____
[Participant Name]

By: _____
[Signatory Name]
[Signatory Title]
Skyward Specialty Insurance Group, Inc.

Award Detail
Target: [NUMBER] Performance Shares

EXHIBIT A

The Award Period is made up of three Performance Periods, such Performance Periods to be:

Performance Period 1	January 1, 2021 to December 31, 2021
Performance Period 2	January 1, 2022 to December 31, 2022
Performance Period 3	January 1, 2023 to December 31, 2023

The number of Performance Shares earned shall be determined by reference to the Company's Growth in Tangible Book Value Per Share (GTBVPS) and the TBVPS provided on the Company's year-end GAAP financial statements, as certified by the Committee. The TBVPS for the Award Period shall be determined as a straight-line average of the TBVPS at year-end of each of the Performance Periods.

Participant shall earn the percentage of the targeted number of Performance Shares (such percentage to be interpolated) based on growth rate in comparison to the peer group noted below:

Average 3-Year Relative Performance	Percentage of Target Shares
75th Percentile	150%
50th Percentile	100%
25th Percentile	0%

The comparison peer group shall be:

1. Allegheny
2. Argo
3. Global Indemnity
4. Hallmark
5. International General Insurance
6. James River
7. Kinsale
8. Old Republic
9. Pro Assurance
10. ProSight
11. RLI

SKYWARD SPECIALTY INSURANCE GROUP, INC.
LONG-TERM INCENTIVE PLAN
2021-2023 Performance Unit Award Agreement

THIS AWARD AGREEMENT (this "Agreement") is made effective as of the [DAY] day of [MONTH] [YEAR], (the “Grant Date”) by Skyward Specialty Insurance Group, Inc. a Delaware Corporation (the "Company") and its participating Affiliates, as defined in the Plan, and its terms are acknowledged and agreed to by [NAME OF PERSON RECEVING AWARD] (the "Participant").

WHEREAS, the Board of Directors of the Company (the "Board") has adopted the Skyward Specialty Insurance Group, Inc. Long-Term Incentive Plan (2020), as amended and restated from time to time (the "Plan"), which Plan is incorporated herein by reference and made part of this Agreement;

WHEREAS, any Capitalized terms used in this Agreement, but not defined herein, shall have the meaning as defined in the Plan; and

WHEREAS, the Compensation Committee of the Board (the "Committee") has decided to grant this award of performance unit awards (the "Performance Units") to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, for good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Grant of the Performance Units. Pursuant to Section 10 of the Plan, the Company hereby grants to the Participant a Performance Unit Award in the target amount of [NUMBER OF UNITS] priced at $100 per Performance Unit (this "Award") in consideration for the achievement of specific performance objectives during the established performance period, the determination of which is in the sole discretion of the Committee. The number of Performance Units that the Participant actually earns for the Award Period (up to a maximum of [NUMBER OF UNITS]) will be determined by the Committee based on the level of achievement of certain performance objectives as provided below.

2. Award Period. For purposes of this Award, the term “Award Period” shall be the period commending on January 1, 2021 and ending on December 31 2023.

3. Performance Objectives. The Committee will determine the number of Performance Units earned by the Participant after the end of the Award Period based on the level of achievement of the performance objectives set forth in Exhibit A. All determinations of whether performance objectives have been achieved, the number of Performance Units earned by the Participant, and all other matters related to this Section 3 shall be made by the Committee in its sole discretion. No later than the 15th day of the third month following the end of the Award Period, the Committee will review and certify in writing (a) whether, and to what extent, the performance objections for the Award Period have been achieved, and (b) the number of Performance Units that the Participant shall earn if any, subject to the vesting requirements of Section 4 below. Such certification shall be final, conclusive and binding on the Participant and on all other persons, to the maximum extent permitted by law.

4. Vesting of Performance Shares. Unless and until vested, the Participant shall have no rights to the compensation represented by the Performance Units granted pursuant to this Award, and such Performance Shares shall be subject to forfeiture as provided herein and in the Plan. The Performance Units will vest, if at all, on the date the Committee certifies the Participant's achievement of the performance objectives as provided in Section 3 above (the "Vesting Date"). On the Vesting Date, vesting of Performance Units granted pursuant to this Award will occur in accordance with the provisions set forth in Article 10 of the Plan and pursuant to the following: (a) the Participant must have achieved the minimum threshold performance objectives for payout set forth in Exhibit A attached hereto; and (b) the Participant must have been and remain continuously employed with the Company from the Grant Date through the Vesting Date. The number of Performance Units that vest and become payable under this Agreement shall be determined by the Committee based on the level of achievement of the performance objectives set forth in Exhibit A and shall be rounded to the nearest whole Performance Unit.

5. Separation from Service. Notwithstanding the vesting conditions specified in Section 4, if the Participant Separates from Service with the Company prior to the end of the Award Period due to death or Disability, or due to the divesture or wind-down of a Business Unit, or if Participant experiences a Double Trigger event, the Performance Units will vest in accordance with the terms of the Plan.

Except as otherwise set forth herein or in the Plan, if the Participant Separates from Service with the Company prior to the end of the Award Period for any reason other than those specified in the foregoing subparagraph, all unvested or unsettled Performance Units shall be forfeited, and no payment shall be made.

6. Payment. Upon vesting, Performance Units will be settled for cash. The number of performance adjusted Performance Units will be calculated as the product of the target number of Performance Units and the performance factor certified by the Committee. Subject to the terms of this Agreement, the cash payment to be made to the Participant shall be equal to the product of the performance-adjusted Performance Units and the value of each Unit, which will be paid in a reasonable period of time after certification by the Committee, but in any event by the 15th day of the third month following the end of the year in which the Performance Units are no longer subject to substantial risk of forfeiture.

7. No Rights as a Shareholder. Performance Units are not Shares or other equity interest in the Company or any participating Affiliate. The Participant shall have none of the rights of a shareholder or owner of equity interests in the Company or any participating Affiliate with respect to the Performance Units granted in this Award.

8. Tax Withholding. The Company and its participating Affiliates shall have the right to withhold or require separate payment of all federal, state, local or other taxes or payments with respect to any Award or payment made under the Plan. Such amounts shall be withheld or paid prior to the delivery of any amount payable under an Award subject to such withholding. To the extent permitted by the Company, such a payment may be made by a) the delivery of cash to the Company or applicable Affiliate in an amount that equals or exceeds the withholding obligation of the Company, or b) authorizing the Company to withhold from any cash payment made under an Award an amount that equals or exceeds the withholding obligation of the Company. All determinations of withholding liability under this section shall be made by the Company in its sole discretion and shall be binding upon the Participant and any Beneficiary.

Notwithstanding any action the Company takes with respect to any or all income tax, social security insurance, payroll tax, or other tax-related withholding ("Tax Related Items"), the ultimate liability for all Tax Related Items is and remains the Participant's responsibility and the Company makes no representations or undertakings regarding the treatment of any Tax Related Items in connection with the grant, vesting or settlement of the Performance Units.

9. Section 409A. This Agreement is intended to comply with Section 409A of the Code or an exemption there under and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A of the Code and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A of the Code.

10. Clawback upon Breach of Non-Solicitation or Confidentiality Covenants. Amounts paid pursuant to this Agreement are subject to clawback by the Company pursuant to Section 10.5 of the Plan. The Participant will be required to enter into an agreement with the Company containing such confidentiality, non-solicitation, and/or other provisions as the Committee may adopt and approve from time to time. If the Committee determines that the Participant has breached such agreement: (i) all unvested or unsettled Performance Units respecting the Participant will be forfeited; and (ii) the Participant shall, within ten (10) days of notice of the Committee's determination of such breach, repay all cash paid in settlement of the Performance Units within twelve (12) months preceding the Participant's Separation of Service. These forfeiture and clawback rights are in addition to, and not in substitution of, any rights of repurchase or other recoupment rights the Company may have.

11. Compliance with Laws. The granting of the Performance Units and any other obligations of the Company under this Agreement shall be subject to all applicable federal, provincial, state, local and foreign laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required.

12. No Right to Continued Employment. Neither the Plan nor this Agreement shall be construed as giving the Participant the right to be retained in any position, as an Employee or Director, with the Company. Further, the Company may at any time dismiss the Participant or discontinue any relationship, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein in this Agreement or the Plan. In addition, nothing herein shall obligate the Company to make future awards to the Participant.

13. No Impact on Other Benefits. The value of the Participant's Award is not part of his or her normal or expected compensation for purposes of calculate any severance, retirement, welfare, insurance or similar employee benefit.

14. Award Subject to Plan. By entering into this Agreement, the Participant agrees and acknowledges that (i) this Award is subject to all of the terms and conditions set forth in the Plan and this Agreement; and (ii) the Participant has received and read a copy of the Plan and understands the terms of the Plan. Capitalized terms not explicitly defined in this Agreement but defined in the Plan shall have the same meaning as in the Plan.

15. Beneficiary Designation. The Participant may file with the Company a written designation of a beneficiary on such form as may be prescribed by the Company and may, from time to time, amend or revoke such designation (a "Beneficiary"). If no Beneficiary is designated, if the designation is ineffective, or if the Beneficiary dies before the balance of the Participant's benefit is paid, the balance shall be paid to the Participant's legal spouse, if any, or in the absence of any of the above, to the Participant's estate. Notwithstanding the foregoing, however, the Participant's Beneficiary shall be determined under applicable state law if such state law does not recognize Beneficiary designations under Awards of this type and is not preempted by laws which recognize thy provisions of this Section.

16. Non-Transferability. All amounts payable under this Award constitute remuneration for personal service. Awards, and the right to payment under an Award, shall not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant in any respect whatsoever, except that amounts payable under an Award may be paid to a Beneficiary in accordance with the terms of the Plan and the Award Agreement. Any assignment, alienation, pledge, attachment, transfer, or encumbrance contrary to the foregoing shall be void.

17. Successors and Assigns. This Award shall be binding upon and inure to the benefit of the Company and its successors and assigns, and of the Participant and the beneficiaries, executors, administrators, heirs and successors of the Participant.

18. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by the Participant or the Company to the Committee for review. The resolution for such dispute by the Committee shall be final and binding on the Participant and the Company.

19. Discretionary Nature of the Plan. The Plan is discretionary and may be amended, cancelled or terminated by the Company at any time, in the Company's sole discretion. The grant of the Award in this Agreement does not create any contractual right or other right to receive any Performance Units or other grants in the future. Future grants, if any, will be at the sole discretion of the Company. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of Participant's employment with the Company.

20. Amendment; Waiver. The Committee at any time, and from time to time, may amend the terms of this Agreement, provided, however, that the rights of the Participant shall not be materially adversely affected without the Participant's written consent (except to the extent permitted under the Plan). No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages.

21. Notice. Any notice necessary under this Award shall be addressed to the Corporate Secretary of the Company at the Company's principal executive offices and to the Participant at the address appearing in the personnel records of the Company or to either party at such other address as such party, hereto, may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

22. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

23. Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

24. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of Texas.

25. Entire Agreement. This Agreement, the Plan, and the rules and procedures adopted by the Committee, contain all of the provisions applicable to this Award. No other statements, documents or practices may modify, waive or alter this Agreement unless expressly set forth in writing, signed by an authorized officer of the Company and delivered to the Participant, and no statements, documents or practices may modify, waive or alter the Plan except by an amendment to the Plan made in accordance with the terms of the Plan.

26. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the day and year first above written.

By: _____
[PARTICIPANT NAME]

By: _____
[SIGNATORY NAME]
[SIGNATORY TITLE]
Skyward Specialty Insurance Group, Inc.

Award Details:
Target **[NUMBER OF UNITS]** of Performance Unit Awards

EXHIBIT A

The Award Period is made up of three Performance Periods, such Performance Periods to be:

Performance Period 1	January 1, 2021 to December 31, 2021
Performance Period 2	January 1, 2022 to December 31, 2022
Performance Period 3	January 1, 2023 to December 31, 2023

The number of Performance Units earned shall be determined by reference to the Company's Combined Ratio, as provided on the Company's year-end GAAP financial statements, as certified by the Committee. The Combined Ratio for the Award Period shall be determined as a straight-line average of the Combined Ratios at year-end of each of the Performance Periods.

Participant shall earn the percentage of the targeted number of Performance Units (such percentage to be interpolated) based on the three-year calculated Combined Ratio, as noted below:

Calculated 3-year Combined Ratio	% of Targeted Performance Units Earned
89.5%	150%
90.5%	140%
91.5%	130%
92.5%	120%
93.5%	110%
94.5%	100%
95.5%	80%
96.5%	60%
97.5%	40%
>97.5	0%

SKYWARD SPECIALTY INSURANCE GROUP, INC.
LONG-TERM INCENTIVE PLAN
2021-2023 Restricted Share Award Agreement

THIS AWARD AGREEMENT (this "Agreement") is made effective as of the [DAY] day of [MONTH] [YEAR], (the “Grant Date”) between Skyward Specialty Insurance Group, Inc. a Delaware Corporation (the "Company") and its participating Affiliates, as defined in the Plan, and its terms are acknowledged and agreed to by [NAME OF PERSON RECEVING AWARD] (the "Participant").

WHEREAS, the Board of Directors of the Company (the "Board") has adopted the Skyward Specialty Insurance Group, Inc. Long-Term Incentive Plan (2020), as amended and restated from time to time (the "Plan"), which Plan is incorporated herein by reference and made part of this Agreement;

WHEREAS, any Capitalized terms used in this Agreement, but not defined herein, shall have the meaning as defined in the Plan; and

WHEREAS, the Compensation Committee of the Board (the "Committee") has decided to grant this award of restricted Shares of the Company's common stock at the book value of $____per share (the "Restricted Shares") to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, for good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Grant of the Restricted Shares. Pursuant to Section 7 of the Plan, the Company hereby grants to the Participant an Award of Restricted Shares (this "Award") consisting of, in the aggregate, [NUMBER OF SHARES] Restricted Shares, in consideration for services to be rendered by the Participant to the Company.

2. Vesting. Vesting of Restricted Shares granted pursuant to this Award will occur in accordance with the provision set forth in Article 7 of the Plan and pursuant to the following vesting schedule:

Vesting Date: [VESTING DATE]
Number or Percentage of Restricted Shares: [NUMBER OR PERCENTAGE OF SHARES THAT VEST ON THE VESTING DATE]

Vesting Date: [VESTING DATE]
Number or Percentage of Restricted Shares: [NUMBER OR PERCENTAGE OF SHARES THAT VEST ON THE VESTING DATE]

To vest, the Participant must have been and remain continuously employed with the Company from the Grant Date through the Vesting Date(s) above. Unless and until vested, Restricted Shares granted pursuant to this Award are non-transferrable by Participant and subject to forfeiture as provided herein. The period during which such Restricted Shares are subject to this restriction shall be referred to herein as the “Restricted Period.”

3. Separation from Service. The foregoing vesting schedule notwithstanding, if the Participant Separates from Service with the Company prior to the end of the Restricted Period due to death or Disability, or due to the divestiture or wind-down of a Business Unit, or if Participant experiences a Double Trigger event, the Restricted Shares will vest in accordance with the terms of the Plan.

Except as otherwise set forth herein or in the Plan, if the Participant Separates from Service with the Company prior to the end of the Restricted Period, the Participant shall forfeit any unvested Restricted Shares, and those Restricted Shares shall be cancelled and any certificates evidencing unvested Restricted Shares not in the custody or control of the Company shall be surrendered to the Company. Further, if the Participant has vested Restricted Shares and there is no public market for the Restricted Shares, the Participant may offer to sell all or any portion of his/her vested Restricted Shares by submitting, at least one year in advance of sale date, an irrevocable written offer to the CEO to sell a specified number of the vested Restricted Shares. If accepted, such Restricted Shares will be purchased by the Company at the Book Value Per Share in effect as of the date that is twelve (12) months following receipt of the request, with the closing on such repurchase to occur on a date determined by the Committee in its discretion, not to exceed fourteen (14) months following receipt of the request.

4. Rights as a Shareholder. The Participant shall be the record owner of the Restricted Shares until and unless such Restricted Shares are cancelled or repurchased by the Company. As the record owner the Participant shall be entitled to all rights of a common shareholder of the Company, including the right to vote the Restricted Shares. Following the Grant Date, and in any event no later than twelve (12) months following the Grant Date, the Company shall issue and deliver to Participant the hard-copy certificate memorializing the number of Restricted Shares owned by the Participant.

5. Shareholder Agreement. In connection with, and as a condition to the grant of Restricted Shares, the Participant will be required to become a party to the Company's Shareholder Agreement (the "Shareholder Agreement"). The Shareholder Agreement may contain restrictions on the transferability of the Restricted Shares (such as a right of first refusal or a prohibition on transfer), and such Restricted Shares may be subject to tag-along rights and drag-along rights of the Company and certain of its investors and repurchase rights of the Company, among other provisions, as provided in Section 7.4 of the Plan.

6. Legend. The Restricted Shares shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan, the Shareholder Agreement, or the rules, regulations, and other requirements of the Securities and Exchange Commission, any share exchange upon which such Restricted Shares are listed, and any applicable federal, state or foreign laws, and the Committee may cause an appropriate reference to such restrictions to be made in the Company's share transfer books or on any certificate that may be issued to evidence the Restricted Shares.

7. Tax Withholding. The Company and its participating Affiliates shall have the right to withhold or require separate payment of all federal, state, local or other taxes or payments with respect to any Award or payment made under the Plan. Such amounts shall be withheld or paid prior to the delivery of any amount payable under an Award subject to such withholding. To the extent permitted by the Company, such a payment may be made by a) the delivery of cash to the Company or applicable Affiliate in an amount that equals or exceeds the withholding obligation of the Company, b) authorizing the Company to withhold from any cash payment made under an Award an amount that equals or exceeds the withholding obligation of the Company; or c) authorizing the Company to withhold from the Restricted Shares granted under the Award, the number of Restricted Shares of common stock as are necessary to satisfy the Company's withholding obligation, valuing such Restricted Shares at Book Value Per Share. All determinations of withholding liability under this section shall be made by the Company in its sole discretion and shall be binding upon the Participant and any Beneficiary.

Notwithstanding any action the Company takes with respect to any or all income tax, social insurance, payroll tax, or other tax-related withholding ("Tax Related Items"), the ultimate liability for all Tax Related Items is and remains the Participant's responsibility and the Company makes no representations or undertakings regarding the treatment of any Tax Related Items in connection with the grant, vesting or settlement of the Restricted Shares or the subsequent sale of any shares. Further the Company does not commit to stricter the Restricted Shares to reduce or eliminate the Participant's liability for Tax Related Items.

8. Section 409A. This Agreement is intended to comply with Section 409A of the Code or an exemption there under and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A of the Code and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A of the Code.

9. Clawback upon Breach of Non-Solicitation or Confidentiality Covenants. Amounts paid or Shares awarded pursuant to this Agreement are subject to clawback by the Company pursuant to Section 7.5 of the Plan. The Participant will be required to enter into an agreement with the Company containing such confidentiality, non-solicitation, and/or other provisions as the Committee may adopt and approve from time to time. If the Committee determines that the Participant has breached such agreement: (i) all of the Participant's vested and unvested Restricted Shares received, awarded, vested or granted pursuant to Restricted Share Awards shall immediately be cancelled; (ii) upon cancellation the Participant shall have no further rights under or to such Restricted Shares; and (iii) the Participant shall, within ten (10) days of notice of the Committee's determination of such breach, surrender certificates evidencing any such Restricted Shares not in the Company's custody or control. These clawback rights are in addition to, and not in substitution of, any rights of repurchase or other recoupment rights the Company may have.

10. Securities Laws. The granting of the Restricted Shares and any other obligations of the Company under this Agreement shall be subject to all applicable federal, provincial, state, local and foreign laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. At the end of the Restricted Period, the Participant will make or enter into such written representations, warranties and agreements as the Committee may reasonably request in order to comply with applicable securities laws and with this Agreement.

11. No Right to Continued Employment. Neither the Plan nor this Agreement shall be construed as giving the Participant the right to be retained in any position, as an Employee or Director, with the Company. Further, the Company may at any time dismiss the Participant or discontinue any relationship, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein in this Agreement or the Plan. In addition, nothing herein shall obligate the Company to make future awards to the Participant.

12. No Impact on Other Benefits. The value of the Participant's Award is not part of his or her normal or expected compensation for purposes of calculate any severance, retirement, welfare, insurance or similar employee benefit.

13. Award Subject to Plan. By entering into this Agreement, the Participant agrees and acknowledges that: (i) this Award is subject to all of the terms and conditions set forth in the Plan and this Agreement; and (ii) that the Participant has received and read a copy of the Plan and understands the terms of the Plan and this Agreement. Capitalized terms not explicitly defined in this Agreement but defined in the Plan shall have the same meaning as in the Plan.

14. Beneficiary Designation. The Participant may file with the Company a written designation of a beneficiary on such form as may be prescribed by the Company and may, from time to time, amend or revoke such designation (a "Beneficiary). If no Beneficiary is designated, if the designation is ineffective, or if the Beneficiary dies before the balance of the Participant's benefit is paid, the balance shall be paid to the Participant's legal spouse, if any, or in the absence of any of the above, to the Participant's estate. Notwithstanding the foregoing, however, the Participant's Beneficiary shall be determined under applicable state law if such state law does not recognize Beneficiary designations under Awards of this type and is not preempted by laws which recognize thy provisions of this Section.

15. Adjustments. If any change is made to the outstanding Common Stock or the capital structure of the Company, if required, the Restricted Shares shall be adjusted or terminated in any manner as contemplated by the Plan.

16. Non-Transferability. All Restricted Shares granted under an Award constitute remuneration for personal services. Awards, and the right to any payment in connection with an Award, shall not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant in any respect whatsoever, except that amounts payable under an Award may be paid to a Beneficiary in accordance with the terms of the Plan and the Award Agreement. Any assignment, alienation, pledge, attachment, transfer, or encumbrance contrary to the foregoing shall be void.

17. Successors and Assigns. This Award shall be binding upon and inure to the benefit of the Company and its successors and assigns, and of the Participant and the beneficiaries, executors, administrators, heirs and successors of the Participant.

18. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by the Participant or the Company to the Committee for review. The resolution for such dispute by the Committee shall be final and binding on the Participant and the Company.

19. Discretionary Nature of the Plan. The Plan is discretionary and may be amended, cancelled or terminated by the Company at any time, in the Company's sole discretion. The grant of the Award in this Agreement does not create any contractual right or other right to receive any Restricted Shares or other grants in the future. Future grants, if any, will be at the sole discretion of the Company. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of Participant's employment with the Company.

20. Amendment; Waiver. The Committee at any time, and from time to time, may amend the terms of this Agreement, provided, however, that the rights of the Participant shall not be materially adversely affected without the Participant's written consent (except to the extent permitted under the Plan). No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages.

21. Notice. Any notice necessary under this Award shall be addressed to the Corporate Secretary of the Company at the Company's principal executive offices and to the Participant at the address appearing in the personnel records of the Company or to either party at such other address as such party, hereto, may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

22. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

23. Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

24. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of Texas.

25. Entire Agreement. This Agreement, the Plan, and the rules and procedures adopted by the Committee, contain all of the provisions applicable to this Award. No other statements, documents or practices may modify, waive or alter this Agreement unless expressly set forth in writing, signed by an authorized officer of the Company and delivered to the Participant, and no statements, documents or practices may modify, waive or alter the Plan except by an amendment to the Plan made in accordance with the terms of the Plan.

26. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the day and year first above written.

By: _____
[PARTICIPANT NAME]

By: _____
[SIGNATORY NAME]
[SIGNATORY TITLE]
Skyward Specialty Insurance Group, Inc.

Award Details:
[NUMBER] Restricted Shares

SKYWARD SPECIALTY INSURANCE GROUP, INC.
LONG-TERM INCENTIVE PLAN
2021-2023 Restricted Stock Unit Award Agreement

THIS AWARD AGREEMENT (this "Agreement") is made effective as of the [DAY] day of [MONTH] [YEAR], (the "Grant Date") by Skyward Specialty Insurance Group, Inc. a Delaware Corporation (the "Company") and its participating Affiliates, as defined in the Plan, and its terms are acknowledged and agreed to by [NAME OF PERSON RECEVING AWARD] (the "Participant").

WHEREAS, the Board of Directors of the Company (the "Board") has adopted the Skyward Specialty Insurance Group, Inc. Long-Term Incentive Plan (2020) (as amended and restated from time to time, the "Plan"), which Plan is incorporated herein by reference and made part of this Agreement;

WHEREAS, any Capitalized terms used in this Agreement, but not defined herein, shall have the meaning as defined in the Plan; and

WHEREAS, the Compensation Committee of the Board (the "Committee") has decided to grant this award of Restricted Stock Units (the "RSUs"), to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, for good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Grant of the Restricted Stock Units. Pursuant to Section 8 of the Plan, the Company hereby grants to the Participant an Award of RSUs (this "Award") consisting of, in the aggregate, [NUMBER OF SHARES] RSUs, in consideration for services to be rendered by the Participant to the Company. Each RSU represents the right to receive one Share of common stock. The RSUs shall be credited to a notional account that is separate from the Company's stock ledger (the "Participant's Account"), maintained by the Company on the books and records of the Company, and shall be considered the general assets of the Company.

2. Vesting. Vesting of RSUs granted pursuant to this Award will occur in accordance with the provisions set forth in Article 8 of the Plan and pursuant to the following vesting schedule:

Vesting Date: January 1, 2024
Number or Percentage of RSUs: [NUMBER SHARE]

To vest, the Participant must have been and remain continuously employed with the Company from the Grant Date through the Vesting Date(s) above. Unless and until vested, the Participant shall have no rights to the compensation represented by the RSUs granted pursuant to this Award, and such RSUs shall be subject to forfeiture as provided herein and in the Plan. The period during which such RSUs are subject to forfeiture shall be referred to herein as the "Restricted Period." Once vested, the RSUs become "Vested Units."

3. Separation from Service. The foregoing vesting schedule notwithstanding, if the Participant Separates from Service with the Company prior to the end of the Restricted Period due to death or Disability, or due to the divestiture or wind-down of a Business Unit, or if Participant experiences a Double Trigger event, the RSUs will vest in accordance with the terms of the Plan.

Except as otherwise set forth herein or in the Plan, if the Participant Separates from Service with the Company prior to the end of the Restricted Period, the Participant shall forfeit any unvested RSUs, and those RSUs shall be cancelled and any unvested RSUs not in the custody or control of the Company shall be surrendered to the Company. Further, if any vested RSUs have been settled in Shares and there is no public market for such Shares, the Participant may offer to sell all or any portion of his/her Shares by submitting, at least one year in advance of sale date, an irrevocable written offer to the CEO to sell a specified number of his/her Shares. If accepted, such Shares will be purchased by the Company at the Book Value Per Share in effect as of the date that is twelve (12) months following receipt of the request, with the closing on such repurchase to occur on a date determined by the Committee in its discretion, not to exceed fourteen (14) months following receipt of the request.

4. Settlement. Upon vesting, the Vested Units will be settled in Shares or, under circumstances provided under this Agreement or Article 8 of the Plan, for cash, or any combination thereof as the Committee may determine. Settlement shall occur within a reasonable period of time after the Committee has so certified, but in any event by the 15th day of the third month following the end of the year in which the RSUs are no longer subject to the substantial risk of forfeiture. The Participant shall not have any rights of a shareholder with respect to the Shares underlying the RSUs unless and until the RSUs vest and are settled by the issuance of Shares.

5. Rights as a Shareholder. Upon and following the settlement of the RSUs in Shares, the Participant shall be the record owner of the Shares underlying the RSUs unless and until Shares are cancelled or repurchased by the Company or are otherwise transferred pursuant to the terms of the Shareholder Agreement. As the record owner, the Participant shall be entitled to all rights of a common shareholder of the Company, including the right to vote. Following the settlement date, the Company shall issue and deliver to Participant the hard-copy certificate memorializing the number of Shares owned by the Participant.

6. Shareholder Agreement. In connection with, and as a condition to the vesting and settlement of the RSUs, the Participant will be required to become a party to the Company's shareholder agreement (the "Shareholder Agreement"). The Shareholder Agreement may contain restrictions on the transferability of Shares issued in settlement of Vested Units (such as a right of first refusal and/or a prohibition on transfer), and such Shares may be subject to tag-along rights and drag-along rights of the Company and certain of its investors and repurchase rights of the Company, among other provisions, as provided in Section 8.5 of the Plan.

7. Dividend Equivalent Rights. In connection with and as a component of this RSU Award, the Committee hereby further grants Participant a Dividend Equivalent Right. As such, if, prior to the settlement date of a Vested Unit, the Company declares a cash or stock dividend on its Shares of common stock, then on the payment date of the dividend, the Participant's Account shall be credited with dividend equivalents in the amount equal to the dividends that would have been paid to the Participant if one Share had been issued on the Grant Date for each RSU granted to the Participant under this Award. Dividend equivalents credited to the Participant's Account shall be deemed to be reinvested in additional RSUs (which may thereafter accrue additional Dividend Equivalent Rights). Any such reinvestment shall be at the Book Value Per Share in effect at the time thereof. Dividend Equivalent Rights may be settled in cash or Shares, or a combination thereof. Dividend Equivalent Rights shall be settled concurrently with the RSUs to which they relate and shall expire or be forfeited or annulled under the same conditions as such RSU.

8. Legend. Shares issued in connection with stock settlement of Vested Units shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan, the Shareholder Agreement, or the rules, regulations, and other requirements of the Securities and Exchange Commission, any share exchange upon which the Company's Common Stock are listed, and any applicable federal, state or foreign laws, and the Committee may cause an appropriate reference to such restrictions to be made in the Company's share transfer books or on any certificate that may be issued to evidence the Vested Units.

9. Tax Withholding. The Company and its participating Affiliates shall have the right to withhold or require separate payment of all federal, state, local or other taxes or payments with respect to any Award or payment made under the Plan. Such amounts shall be withheld or paid prior to the delivery of any amount payable under an Award subject to such withholding. To the extent permitted by the Company, such a payment may be made by a) the delivery of cash to the Company or applicable Affiliate in an amount that equals or exceeds the withholding obligation of the Company, b) authorizing the Company to withhold from any cash payment made under an Award an amount that equals or exceeds the withholding obligation of the Company; or c) authorizing the Company to withhold from the RSUs granted under the Award, the number of RSUs of common stock as are necessary to satisfy the Company's withholding obligation, valuing such RSUs at Book Value Per Share. All determinations of withholding liability under this section shall be made by the Company in its sole discretion and shall be binding upon the Participant and any Beneficiary.

Notwithstanding any action the Company takes with respect to any or all income tax, social security insurance, payroll tax, or other tax-related withholding ("Tax Related Items"), the ultimate liability for all Tax Related Items is and remains the Participant's responsibility, and the Company makes no representations or undertakings regarding the treatment of any Tax Related Items in connection with the grant, vesting or settlement of the RSUs or the subsequent sale of any Shares. Further, the Company does not commit to structure the RSUs to reduce or eliminate the Participant's liability for Tax Related Items.

10. Section 409A. This Agreement is intended to comply with Section 409A of the Code or an exemption there under and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A of the Code and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A of the Code.

11. Clawback upon Breach of Non-Solicitation or Confidentiality Covenants. Amounts paid or Shares awarded pursuant to this Agreement are subject to clawback by the Company pursuant to Section 8.6 of the Plan. The Participant will be required to enter into an agreement with the Company containing such confidentiality, non-solicitation, and/or other provisions as the Committee may adopt and approve from time to time. If the Committee determines that the Participant has breached such agreement: (i) all unvested or unsettled RSUs respecting the Participant will be forfeited; (ii) all Dividend Equivalent Rights and credits granted under Dividend Equivalent Rights shall be forfeited; (iii) all Shares vested or issued in settlement of RSUs shall immediately be cancelled, and upon cancellation the Participant shall, within ten (10) days of notice of the Committee's determination of such breach, surrender any certificates evidencing such Shares not in the Company's custody or control and repay all cash payable or paid in settlement of RSUs. These forfeiture and clawback rights are in addition to, and not in substitution of, any rights of repurchase or other recoupment rights the Company may have.

12. Securities Laws. The granting of the RSUs and any other obligations of the Company under this Agreement shall be subject to all applicable federal, provincial, state, local and foreign laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required.

At the end of the Restricted Period, the Participant will make or enter into such written representations, warranties and agreements as the Committee may reasonably request in order to comply with applicable securities laws and with this Agreement.

13. No Right to Continued Employment. Neither the Plan nor this Agreement shall be construed as giving the Participant the right to be retained in any position, as an Employee or Director, with the Company. Further, the Company may at any time dismiss the Participant or discontinue any relationship, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein in this Agreement or the Plan. In addition, nothing herein shall obligate the Company to make future awards to the Participant.

14. No Impact on Other Benefits. The value of the Participant's Award is not part of his or her normal or expected compensation for purposes of calculate any severance, retirement, welfare, insurance or similar employee benefit.

15. Award Subject to Plan. By entering into this Agreement, the Participant agrees and acknowledges that: (i) this Award is subject to all of the terms and conditions set forth in the Plan and this Agreement; and (ii) the Participant has received and read a copy of the Plan and understands the terms of the Plan and this Agreement. Capitalized terms not explicitly defined in this Agreement but defined in the Plan shall have the same meaning as in the Plan.

16. Beneficiary Designation. The Participant may file with the Company a written designation of a beneficiary on such form as may be prescribed by the Company and may, from time to time, amend or revoke such designation (a "Beneficiary"). If no Beneficiary is designated, if the designation is ineffective, or if the Beneficiary dies before the balance of the Participant's benefit is paid, the balance shall be paid to the Participant's legal spouse, if any, or in the absence of any of the above, to the Participant's estate. Notwithstanding the foregoing, however, the Participant's Beneficiary shall be determined under applicable state law if such state law does not recognize Beneficiary designations under Awards of this type and is not preempted by laws which recognize thy provisions of this Section.

17. Adjustments. If any change is made to the outstanding Common Stock or the capital structure of the Company, if required, the RSUs shall be adjusted or terminated in any manner as contemplated by the Plan.

18. Non-Transferability. All amounts payable or RSUs granted under an Award constitute remuneration for personal services. Awards, and the right to payment under an Award, shall not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant in any respect whatsoever, except that amounts payable under an Award may be paid to a Beneficiary in accordance with the terms of the Plan and the Award Agreement. Any assignment, alienation, pledge, attachment, transfer, or encumbrance contrary to the foregoing shall be void.

19. Successors and Assigns. This Award shall be binding upon and inure to the benefit of the Company and its successors and assigns, and of the Participant and the beneficiaries, executors, administrators, heirs and successors of the Participant.

20. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by the Participant or the Company to the Committee for review. The resolution for such dispute by the Committee shall be final and binding on the Participant and the Company.

21. Discretionary Nature of the Plan. The Plan is discretionary and may be amended, cancelled or terminated by the Company at any time, in the Company's sole discretion. The grant of the Award in this Agreement does not create any contractual right or other right to receive any RSUs or other grants in the future. Future grants, if any, will be at the sole discretion of the Company. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of Participant's employment with the Company.

22. Amendment; Waiver. The Committee at any time, and from time to time, may amend the terms of this Agreement, provided, however, that the rights of the Participant shall not be materially adversely affected without the Participant's written consent (except to the extent permitted under the Plan). No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages.

23. Notice. Any notice necessary under this Award shall be addressed to the Corporate Secretary of the Company at the Company's principal executive offices and to the Participant at the address appearing in the personnel records of the Company or to either party at such other address as such party, hereto, may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

24. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

25. Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

26. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of Texas.

27. Entire Agreement. This Agreement, the Plan, and the rules and procedures adopted by the Committee, contain all of the provisions applicable to this Award. No other statements, documents or practices may modify, waive or alter this Agreement unless expressly set forth in writing, signed by an authorized officer of the Company and delivered to the Participant, and no statements, documents or practices may modify, waive or alter the Plan except by an amendment to the Plan made in accordance with the terms of the Plan.

28. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the day and year first above written.

By: _____
[PARTICIPANT NAME]

By: _____
[SIGNATORY NAME]
[SIGNATORY TITLE]
Skyward Specialty Insurance Group, Inc.

Award Details:
[NUMBER] of Restricted Stock Units

Exhibit 10.4

SKYWARD SPECIALTY INSURANCE GROUP, INC.
2022 LONG-TERM INCENTIVE PLAN

TABLE OF CONTENTS

1. History; Existence of the Plan.

SKYWARD SPECIALTY INSURANCE GROUP, INC., a Delaware corporation ("*Skyward Specialty*"), has established the SKYWARD SPECIALTY INSURANCE GROUP, INC. 2022 LONG-TERM INCENTIVE PLAN, as set forth herein, and as the same may be amended from time to time (the "*Plan*"). The Plan will come into existence on the Effective Date; *provided, however*, that no Award may be granted prior to the IPO Date. In addition, no Award will be exercised (or, in the case of Restricted Stock, Restricted Stock Units, Performance Shares, or Other Stock-Based Awards, no Award will be granted) and no Performance Units will be settled unless and until the Plan has been approved by the shareholders of Skyward Specialty, which approval will be within 12 months after the date the Plan is adopted by the Board of Directors of Skyward Specialty (the "*Board*").

On the Effective Date, the outstanding awards under the Skyward Specialty Insurance Group, Inc. Long-Term Incentive Plan (the "*Prior Plan*") will remain subject to the same terms and conditions set forth in the Prior Plan and related agreements.

No awards will be made under the Prior Plan on or after the Effective Date.

2. Purposes of the Plan.

The Plan is designed to:

(a) promote the long-term financial interests and growth of Skyward Specialty and its Subsidiaries (together, the "*Company*") by attracting and retaining management and other personnel of Skyward Specialty and other Eligible Individuals.

(b) motivate management personnel by means of growth-related incentives to achieve long-range goals; and

(c) further the alignment of interests of Participants with those of the stockholders of Skyward Specialty through opportunities for increased stock or stock-based ownership in Skyward Specialty.

Toward these objectives, the Administrator may grant stock options, stock appreciation rights, stock awards, stock units, performance shares, performance units, and other stock-based awards to eligible individuals on the terms and subject to the conditions set forth in the Plan.

3. Terminology.

Except as otherwise specifically provided in an Award Agreement, capitalized words and phrases used in the Plan or an Award Agreement shall have the meaning set forth in the glossary at Section 17 of the Plan or as defined the first place such word or phrase appears in the Plan.

4. Administration.

(a) *Administration of the Plan*. The Plan shall be administered by the Administrator.

(b) *Powers of the Administrator*. The Administrator shall, except as otherwise provided under the Plan, have plenary authority, in its sole and absolute discretion, to grant Awards pursuant to the terms of the Plan to Eligible Individuals and to take all other actions necessary or desirable to carry out the purpose and intent of the Plan. Among other things, the Administrator shall have the authority, in its sole and absolute discretion, subject to the terms and conditions of the Plan to:

(i) determine the Eligible Individuals to whom, and the time or times at which, Awards shall be granted;

(ii) determine the types of Awards to be granted any Eligible Individual;

(iii) determine the number of shares of Common Stock to be covered by or used for reference purposes for each Award or the value to be transferred pursuant to any Award;

(iv) determine the terms, conditions and restrictions applicable to each Award (which need not be identical) and any shares acquired pursuant thereto, including, without limitation, (A) the purchase price of any shares of Common Stock, (B) the method of payment for shares purchased pursuant to any Award, (C) the method for satisfying any tax withholding obligation arising in connection with any Award, including by the withholding or delivery of shares of Common Stock, (D) the timing, terms and conditions of the exercisability, vesting or payout of any Award or any shares acquired pursuant thereto, (E) the Performance Goals applicable to any Award and the extent to which such Performance Goals have been attained, (F) the time of the expiration of any Award, (G) the effect of the Participant's Termination of Service on any of the foregoing, and (H) all other terms, conditions and restrictions applicable to any Award or shares acquired pursuant thereto as the Administrator shall consider to be appropriate and not inconsistent with the terms of the Plan;

(v) subject to Sections 7(e), 10(c) and 15, modify, amend or adjust the terms and conditions of any Award;

(vi) accelerate or otherwise change the time at or during which an Award may be exercised or becomes payable and waive or accelerate the lapse, in whole or in part, of any restriction, condition or risk of forfeiture with respect to such Award; *provided*, *however*, that, except in connection with death, disability or a Change in Control, no such change, waiver or acceleration to any Award that is considered "deferred compensation" within the meaning of Section 409A of the Code if the effect of such action is inconsistent with Section 409A of the Code;

(vii) determine whether an Award will be paid or settled in cash, shares of Common Stock, or in any combination thereof and whether, to what extent and under what circumstances cash or shares of Common Stock payable with respect to an Award shall be deferred either automatically or at the election of the Participant;

(viii) for any purpose, including but not limited to, qualifying for preferred or beneficial tax treatment, accommodating the customs or administrative challenges or otherwise complying with the tax, accounting or regulatory requirements of one or more jurisdictions, adopt, amend, modify, administer or terminate sub-plans, appendices, special provisions or supplements applicable to Awards regulated by the laws of a particular jurisdiction, which sub-plans, appendices, supplements and special provisions may take precedence over other provisions of the Plan, and prescribe, amend and rescind rules and regulations relating to such sub-plans, supplements and special provisions;

(ix) establish any "blackout" period, during which transactions affecting Awards may not be effectuated, that the Administrator in its sole discretion deems necessary or advisable;

(x) determine the Fair Market Value of shares of Common Stock or other property for any purpose under the Plan or any Award;

(xi) administer, construe and interpret the Plan, Award Agreements and all other documents relevant to the Plan and Awards issued thereunder, and decide all other matters to be determined in connection with an Award;

(xii) establish, amend, rescind and interpret such administrative rules, regulations, agreements, guidelines, instruments and practices for the administration of the Plan and for the conduct of its business as the Administrator deems necessary or advisable;

(xiii) correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any Award or Award Agreement in the manner and to the extent the Administrator shall consider it desirable to carry it into effect; and

(xiv) otherwise administer the Plan and all Awards granted under the Plan.

(c) *Delegation of Administrative Authority.* The Administrator may designate officers or employees of the Company to assist the Administrator in the administration of the Plan and, to the extent permitted by applicable law and stock exchange rules, the Administrator may delegate to officers or other employees of the Company the Administrator's duties and powers under the Plan, subject to such conditions and limitations as the Administrator shall prescribe, including without limitation the authority to execute agreements or other documents on behalf of the Administrator; provided, however, that such delegation of authority shall not extend to the granting of, or exercise of discretion with respect to, Awards to Eligible Individuals who are officers under Section 16 of the Exchange Act.

(d) *Non-Uniform Determinations*. The Administrator's determinations under the Plan (including without limitation, determinations of the persons to receive Awards, the form, amount and timing of such Awards, the terms and provisions of such Awards and the Award Agreements evidencing such Awards, and the ramifications of a Change in Control upon outstanding Awards) need not be uniform and may be made by the Administrator selectively among Awards or persons who receive, or are eligible to receive, Awards under the Plan, whether or not such persons are similarly situated.

(e) *Limited Liability; Advisors.* To the maximum extent permitted by law, no member of the Administrator, nor any director, officer, employee or representative of Skyward Specialty shall be liable for any action taken or decision made in good faith relating to the Plan or any Award thereunder. The Administrator may employ counsel, consultants, accountants, appraisers, brokers or other persons. The Administrator, Skyward Specialty and the officers and directors Skyward Specialty shall be entitled to rely upon the advice, opinions or valuations of any such persons.

(f) *Indemnification*. To the maximum extent permitted by law, by Skyward Specialty's charter and by-laws, and by any directors' and officers' liability insurance coverage which may be in effect from time to time, the members of the Administrator and any agent or delegate of the Administrator who is a director, officer or employee of Skyward Specialty or an Affiliate shall be indemnified by Skyward Specialty against any and all liabilities and expenses to which they may be subjected by reason of any act or failure to act with respect to their duties on behalf of the Plan.

(g) *Effect of Administrator's Decision*. All actions taken and determinations made by the Administrator on all matters relating to the Plan or any Award pursuant to the powers vested in it hereunder shall be in the Administrator's sole and absolute discretion, unless in contravention of any express term of the Plan, including, without limitation, any determination involving the appropriateness or equitableness of any action. All determinations made by the Administrator shall be conclusive, final and binding on all parties concerned, including Skyward Specialty, any Participants and any other employee, or director of Skyward Specialty and its Affiliates, and their respective successors in interest. No member of the Administrator, nor any director, officer, employee or representative of Skyward Specialty shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or Awards.

5. Shares Issuable Pursuant to Awards.

(a) *Initial Share Pool.* Subject to adjustments as provided in Section 10 of the Plan, the number of shares of Common Stock issuable pursuant to Awards that may be granted under the Plan shall equal [_____][1] (the "*Share Pool*").

(b) *Adjustments to Share Pool*. On and after the Effective Date, the Share Pool shall be adjusted, in addition to any adjustments to be made pursuant to Section 10 of the Plan, as follows:

(i) The Share Pool shall be increased automatically, without further action of the Board, on January 1st of each calendar year commencing after the Effective Date and ending on (and including) January 1, 2032, by a number of shares of Common Stock equal to the lesser of (A) two percent (2%) of the aggregate number of shares of Common Stock outstanding on December 31st of the immediately preceding calendar year, excluding for this purpose any such outstanding shares of Common Stock that were granted under this Plan and remain unvested and subject to forfeiture as of the relevant December 31st, or (B) a lesser number of shares of Common Stock determined by the Board or Compensation Committee prior to the relevant January 1st.

[1] This number shall equal 8.5% of the issued and outstanding shares of Common Stock upon the completion of the Initial Public Offering (on a fully-diluted basis).

(ii) The Share Pool shall be reduced, on the date of grant, by one share for each share of Common Stock made subject to an Award granted under the Plan;

(iii) The Share Pool shall be increased, on the relevant date, by the number of unissued shares of Common Stock underlying or used as a reference measure for any Award or portion of an Award that is cancelled, forfeited, expired, terminated, unearned or settled in cash, in any such case without the issuance of shares and by the number of shares of Common Stock used as a reference measure for any Award that are not issued upon settlement of such Award either due to a net settlement or otherwise;

(iv) The Share Pool shall be increased, on the forfeiture date, by the number of shares of Common Stock that are forfeited back to Skyward Specialty after issuance due to a failure to meet an Award contingency or condition with respect to any Award or portion of an Award;

(v) The Share Pool shall be increased, on the exercise date, by the number of shares of Common Stock withheld by or surrendered (either actually or through attestation) to Skyward Specialty in payment of the exercise price of any Award; and

(vi) The Share Pool shall be increased, on the relevant date, by the number of shares of Common Stock withheld by or surrendered (either actually or through attestation) to the Company in payment of the Tax Withholding Obligation that arises in connection with any Award.

For the avoidance of doubt, the Share Pool will not be increased to include any shares of Common Stock issuable upon exercise of options or the vesting of any type of award granted under the Prior Plan that (i) expire or terminate without having been exercised in full or (ii) is otherwise cancelled, forfeited, expired, terminated or unearned in whole or in part.

(c) *ISO Limit*. Subject to adjustment pursuant to Section 10 of the Plan, the maximum number of shares of Common Stock that may be issued pursuant to stock options granted under the Plan that are intended to qualify as Incentive Stock Options within the meaning of Section 422 of the Code shall be equal to [ ].[2]

(d) *Source of Shares*. The shares of Common Stock with respect to which Awards may be made under the Plan shall be shares authorized for issuance under Skyward Specialty's charter but unissued, or issued and reacquired, including without limitation shares purchased in the open market or in private transactions.

(e) *Non-Employee Director Award Limit*. In addition, the Administrator may establish compensation for Non-Employee Directors from time to time, subject to the limitations in the Plan. The Administrator will from time to time determine the terms, conditions and amounts of all such Non-Employee Director compensation in its discretion and pursuant to the exercise of its business judgment, taking into account such factors, circumstances and considerations as it shall deem relevant from time to time, provided that the sum of any cash compensation and the grant date fair value of Awards (as determined in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, or any successor thereto) granted under the Plan to a Non-Employee Director as compensation for services as a Non-Employee Director during any calendar year of the Company may not exceed $750,000 (such limit, the "*Director Limit*"). The Administrator may make exceptions to this limit for individual Non-Employee directors in extraordinary circumstances, as the Administrator may determine in its discretion, provided that the Non-Employee Director receiving such additional compensation may not participate in the decision to award such compensation or in other compensation decisions involving Non-Employee Director.

[2] This number shall be equal to the Initial Share Pool in Section 5(a).

6. Participation.

Participation in the Plan shall be open to all Eligible Individuals, as may be selected by the Administrator from time to time. The Administrator may also grant Awards to Eligible Individuals in connection with hiring, recruiting or otherwise, prior to the date the individual first performs services for Skyward Specialty or an Affiliate; *provided, however*, that such Awards shall not become vested or exercisable and no shares shall be issued to such individual, prior to the date the individual first commences performance of such services.

7. Awards.

(a) *Awards, In General.* The Administrator, in its sole discretion, shall establish the terms of all Awards granted under the Plan consistent with the terms of the Plan. Awards may be granted individually or in tandem with other types of Awards, concurrently with or with respect to outstanding Awards. All Awards are subject to the terms and conditions provided in the Award Agreement, which shall be delivered to the Participant receiving such Award upon, or as promptly as is reasonably practicable following, the grant of such Award. Unless otherwise specified by the Administrator, in its sole discretion, or otherwise provided in the Award Agreement, an Award shall not be effective unless the Award Agreement is signed or otherwise accepted by Skyward Specialty and the Participant receiving the Award (including by electronic delivery and/or electronic signature).

(b) *Stock Options*.

(i) *Grants*. A stock option means a right to purchase a specified number of shares of Common Stock from Skyward Specialty at a specified price during a specified period of time. The Administrator may from time to time grant to Eligible Individuals Awards of Incentive Stock Options or Nonqualified Options; *provided*, *however*, that Awards of Incentive Stock Options shall be limited to employees of Skyward Specialty or of any current or hereafter existing "parent corporation" or "subsidiary corporation," as defined in Sections 424(e) and 424(f) of the Code, respectively, of Skyward Specialty, and any other Eligible Individuals who are eligible to receive Incentive Stock Options under the provisions of Section 422 of the Code. No stock option shall be an Incentive Stock Option unless so designated by the Administrator at the time of grant or in the applicable Award Agreement.

(ii) *Exercise*. Stock options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Administrator; *provided, however,* that Awards of stock options may not have a term in excess of ten years' duration unless required otherwise by applicable law.

(iii) *Termination of Service*. Except as provided in the applicable Award Agreement or otherwise determined by the Administrator, to the extent stock options are not vested and exercisable, a Participant's stock options shall be forfeited upon his or her Termination of Service.

(iv) *Additional Terms and Conditions*. The Administrator may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of stock options, *provided* they are not inconsistent with the Plan.

(c) *Limitation on Reload Options*. The Administrator shall not grant stock options under this Plan that contain a reload or replenishment feature pursuant to which a new stock option would be granted automatically upon receipt of delivery of Common Stock to Skyward Specialty in payment of the exercise price or any tax withholding obligation under any other stock option.

(d) *Stock Appreciation Rights*.

(i) *Grants.* The Administrator may from time to time grant to Eligible Individuals Awards of stock appreciation rights. A stock appreciation right entitles the Participant to receive, subject to the provisions of the Plan and the Award Agreement, a payment having an aggregate value equal to the product of (i) the excess of (A) the Fair Market Value on the exercise date of one share of Common Stock over (B) the base price per share specified in the Award Agreement, times (ii) the number of shares specified by the stock appreciation right, or portion thereof, which is exercised. The base price per share specified in the Award Agreement shall not be less than the lower of the Fair Market Value on the date of grant or the exercise price of any tandem stock option to which the stock appreciation right is related, or with respect to stock appreciation rights that are granted in substitution of similar types of awards of a company acquired by Skyward Specialty or a Subsidiary or with which Skyward Specialty or a Subsidiary combines (whether in connection with a corporate transaction, such as a merger, combination, consolidation or acquisition of property or stock, or otherwise) such base price as is necessary to preserve the intrinsic value of such awards.

(ii) *Exercise*. Stock appreciation rights shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Administrator; *provided, however,* that stock appreciation rights granted under the Plan may not have a term in excess of ten years' duration unless required otherwise by applicable law. The applicable Award Agreement shall specify whether payment by Skyward Specialty of the amount receivable upon any exercise of a stock appreciation right is to be made in cash or shares of Common Stock or a combination of both, or shall reserve to the Administrator or the Participant the right to make that determination prior to or upon the exercise of the stock appreciation right. If upon the exercise of a stock appreciation right a Participant is to receive a portion of such payment in shares of Common Stock, the number of shares shall be determined by dividing such portion by the Fair Market Value of a share of Common Stock on the exercise date. No fractional shares shall be used for such payment and the Administrator shall determine whether cash shall be given in lieu of such fractional shares or whether such fractional shares shall be eliminated.

(iii) *Termination of Service*. Except as provided in the applicable Award Agreement or otherwise determined by the Administrator, to the extent stock appreciation rights are not vested and exercisable, a Participant's stock appreciation rights shall be forfeited upon his or her Termination of Service.

(iv) *Additional Terms and Conditions*. The Administrator may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of stock appreciation rights, *provided* they are not inconsistent with the Plan.

(e) *Repricing.* Notwithstanding anything herein to the contrary, except in connection with a corporate transaction involving Skyward Specialty (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of options and stock appreciation rights granted under the Plan may not be amended, after the date of grant, to reduce the exercise price of such options or stock appreciation rights, nor may outstanding options or stock appreciation rights be canceled in exchange for (i) cash, (ii) options or stock appreciation rights with an exercise price or base price that is less than the exercise price or base price of the original outstanding options or stock appreciation rights, or (iii) other Awards, unless such action is approved by Skyward Specialty's stockholders.

(f) *Stock Awards*.

(i) *Grants*. The Administrator may from time to time grant to Eligible Individuals Awards of unrestricted Common Stock or Restricted Stock (collectively, "*Stock Awards*") on such terms and conditions, and for such consideration, including no consideration or such minimum consideration as the Administrator shall determine, subject to the limitations set forth in Section 7(b). Stock Awards shall be evidenced in such manner as the Administrator may deem appropriate, including via book-entry registration.

(ii) *Vesting*. Restricted Stock shall be subject to such vesting, restrictions on transferability and other restrictions, if any, and/or risk of forfeiture as the Administrator may impose at the date of grant or thereafter. The Restriction Period to which such vesting, restrictions and/or risk of forfeiture apply may lapse under such circumstances, including without limitation upon the attainment of Performance Goals, in such installments, or otherwise, as the Administrator may determine. Subject to the provisions of the Plan and the applicable Award Agreement, during the Restriction Period, the Participant shall not be permitted to sell, assign, transfer, pledge or otherwise encumber shares of Restricted Stock.

(iii) *Rights of a Stockholder; Dividends*. Except to the extent restricted under the Award Agreement relating to the Restricted Stock, a Participant granted Restricted Stock shall have all of the rights of a stockholder of Common Stock including, without limitation, the right to vote Restricted Stock. Cash dividends declared payable on Common Stock shall be paid, with respect to outstanding Restricted Stock, either as soon as practicable following the dividend payment date or deferred for payment to such later date as determined by the Administrator, and shall be paid in cash or as unrestricted shares of Common Stock having a Fair Market Value equal to the amount of such dividends or may be reinvested in additional shares of Restricted Stock as determined by the Administrator; *provided*, *however*, that dividends declared payable on Restricted Stock that is granted as a Performance Award shall be held by Skyward Specialty and made subject to forfeiture at least until achievement of the applicable Performance Goal related to such shares of Restricted Stock. Stock distributed in connection with a stock split or stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Common Stock or other property has been distributed. As soon as is practicable following the date on which restrictions on any shares of Restricted Stock lapse, Skyward Specialty shall deliver to the Participant the certificates for such shares or shall cause the shares to be registered in the Participant's name in book-entry form, in either case with the restrictions removed, provided that the Participant shall have complied with all conditions for delivery of such shares contained in the Award Agreement or otherwise reasonably required by Skyward Specialty.

(iv) *Termination of Service*. Except as provided in the applicable Award Agreement, upon Termination of Service during the applicable Restriction Period, Restricted Stock and any accrued but unpaid dividends that are at that time subject to restrictions shall be forfeited; *provided* that the Administrator may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock will be waived in whole or in part in the event of terminations resulting from specified causes, and the Administrator may in other cases waive in whole or in part the forfeiture of Restricted Stock.

(v) *Additional Terms and Conditions*. The Administrator may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of Restricted Stock, *provided* they are not inconsistent with the Plan.

(g) *Stock Units*.

(i) *Grants*. The Administrator may from time to time grant to Eligible Individuals Awards of unrestricted stock Units or Restricted Stock Units on such terms and conditions, and for such consideration, including no consideration or such minimum consideration as may be required by law, as the Administrator shall determine, subject to the limitations set forth in Section 7(b). Restricted Stock Units represent a contractual obligation by Skyward Specialty to deliver a number of shares of Common Stock, an amount in cash equal to the Fair Market Value of the specified number of shares subject to the Award, or a combination of shares of Common Stock and cash, in accordance with the terms and conditions set forth in the Plan and any applicable Award Agreement.

(ii) *Vesting and Payment*. Restricted Stock Units shall be subject to such vesting, risk of forfeiture and/or payment provisions as the Administrator may impose at the date of grant. The Restriction Period to which such vesting and/or risk of forfeiture apply may lapse under such circumstances, including without limitation upon the attainment of Performance Goals, in such installments, or otherwise, as the Administrator may determine. Shares of Common Stock, cash or a combination of shares of Common Stock and cash, as applicable, payable in settlement of Restricted Stock Units shall be delivered to the Participant as soon as administratively practicable, but no later than 30 days, after the date on which payment is due under the terms of the Award Agreement *provided* that the Participant shall have complied with all conditions for delivery of such shares or payment contained in the Award Agreement or otherwise reasonably required by Skyward Specialty, or in accordance with an election of the Participant, if the Administrator so permits, that meets the requirements of Section 409A of the Code.

(iii) *No Rights of a Stockholder; Dividend Equivalents*. Until shares of Common Stock are issued to the Participant in settlement of stock Units, the Participant shall not have any rights of a stockholder of Skyward Specialty with respect to the stock Units or the shares issuable thereunder. The Administrator may grant to the Participant the right to receive Dividend Equivalents on stock Units, on a current, reinvested and/or restricted basis, subject to such terms as the Administrator may determine *provided*, *however*, that Dividend Equivalents payable on stock Units that are granted as a Performance Award shall, rather than be paid on a current basis, be accrued and made subject to forfeiture at least until achievement of the applicable Performance Goal related to such stock Units.

(iv) *Termination of Service*. Upon Termination of Service during the applicable deferral period or portion thereof to which forfeiture conditions apply, or upon failure to satisfy any other conditions precedent to the delivery of shares of Common Stock or cash to which such Restricted Stock Units relate, all Restricted Stock Units and any accrued but unpaid Dividend Equivalents with respect to such Restricted Stock Units that are then subject to deferral or restriction shall be forfeited; *provided* that the Administrator may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock Units will be waived in whole or in part in the event of termination resulting from specified causes, and the Administrator may in other cases waive in whole or in part the forfeiture of Restricted Stock Units.

(v) *Additional Terms and Conditions*. The Administrator may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of stock Units, *provided* they are not inconsistent with the Plan.

(h) *Performance Shares and Performance Units*.

(i) *Grants*. The Administrator may from time to time grant to Eligible Individuals Awards in the form of Performance Shares and Performance Units. Performance Shares, as that term is used in this Plan, shall refer to shares of Common Stock or Units that are expressed in terms of Common Stock, the issuance, vesting, lapse of restrictions on or payment of which is contingent on performance as measured against predetermined objectives over a specified Performance Period. Performance Units, as that term is used in this Plan, shall refer to dollar-denominated Units valued by reference to designated criteria established by the Administrator, other than Common Stock, the issuance, vesting, lapse of restrictions on or payment of which is contingent on performance as measured against predetermined objectives over a specified Performance Period. The applicable Award Agreement shall specify whether Performance Shares and Performance Units will be settled or paid in cash or shares of Common Stock or a combination of both, or shall reserve to the Administrator or the Participant the right to make that determination prior to or at the payment or settlement date.

(ii) *Performance Criteria*. The Administrator shall, prior to or at the time of grant, condition the grant, vesting or payment of, or lapse of restrictions on, an Award of Performance Shares or Performance Units upon (A) the attainment of Performance Goals during a Performance Period or (B) the attainment of Performance Goals and the continued service of the Participant. The length of the Performance Period, the Performance Goals to be achieved during the Performance Period, and the measure of whether and to what degree such Performance Goals have been attained shall be conclusively determined by the Administrator in the exercise of its absolute discretion. Performance Goals may include minimum, maximum and target levels of performance, with the size of the Award or payout of Performance Shares or Performance Units or the vesting or lapse of restrictions with respect thereto based on the level attained. Performance Goals may be applied on a per share or absolute basis and relative to one or more Performance Metrics, or any combination thereof, and may be measured pursuant to U.S. generally accepted accounting principles ("GAAP"), non-GAAP or other objective standards in a manner consistent with Skyward Specialty's or its Subsidiary's established accounting policies, all as the Administrator shall determine at the time the Performance Goals for a Performance Period are established. The Administrator may, in its sole discretion, provide that one or more objectively determinable adjustments shall be made to the manner in which one or more of the Performance Goals is to be calculated or measured to take into account, or ignore, one or more of the following: (1) items related to a change in accounting principle; (2) items relating to financing activities; (3) expenses for restructuring or productivity initiatives; (4) other non-operating items; (5) items related to acquisitions; (6) items attributable to the business operations of any entity acquired by the Company during the Performance Period; (7) items related to the sale or disposition of a business or segment of a business; (8) items related to discontinued operations that do not qualify as a segment of a business under U.S. generally accepted accounting principles; (9) items attributable to any stock dividend, stock split, combination or exchange of stock occurring during the Performance Period; (10) any other items of significant income or expense which are determined to be appropriate adjustments; (11) items relating to unusual or extraordinary corporate transactions, events or developments, (12) items related to amortization of acquired intangible assets; (13) items that are outside the scope of the Company's core, on-going business activities; (14) changes in foreign currency exchange rates; (15) items relating to changes in tax laws; (16) certain identified expenses (including, but not limited to, cash bonus expenses, incentive expenses and acquisition-related transaction and integration expenses); (17) items relating to asset impairment charges; (18) items relating to gains or unusual or nonrecurring events or changes in applicable law, accounting principles or business conditions, or (19) or any other items selected by the Administrator. Shares or Performance Units shall be settled as and when the Award vests or at a later time specified in the Award Agreement or in accordance with an election of the Participant, if the Administrator so permits, that meets the requirements of Section 409A of the Code.

(iii) *Additional Terms and Conditions*. The Administrator may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of Performance Shares or Performance Units, *provided* they are not inconsistent with the Plan.

(i) *Other Stock-Based Awards.* The Administrator may from time to time grant to Eligible Individuals Awards in the form of Other Stock-Based Awards. Other Stock-Based Awards in the form of Dividend Equivalents may be (A) awarded on a free-standing basis or in connection with another Award other than a stock option or stock appreciation right, (B) paid currently or credited to an account for the Participant, including the reinvestment of such credited amounts in Common Stock equivalents, to be paid on a deferred basis, and (C) settled in cash or Common Stock as determined by the Administrator; *provided*, *however*, that Dividend Equivalents payable on Other Stock-Based Awards that are granted as a Performance Award shall, rather than be paid on a current basis, be accrued and made subject to forfeiture at least until achievement of the applicable Performance Goal related to such Other Stock- Based Awards. Any such settlements, and any such crediting of Dividend Equivalents, may be subject to such conditions, restrictions and contingencies as the Administrator shall establish.

(j) *Awards to Participants Outside the United States.* The Administrator may grant Awards to Eligible Individuals who are foreign nationals, who are located outside the United States or who are not compensated from a payroll maintained in the United States, or who are otherwise subject to (or could cause Skyward Specialty or a Subsidiary to be subject to) tax, legal or regulatory provisions of countries or jurisdictions outside the United States, on such terms and conditions different from those specified in the Plan as may, in the judgment of the Administrator, be necessary or desirable in order that any such Award shall conform to laws, regulations, and customs of the country or jurisdiction in which the Participant is then resident or primarily employed or to foster and promote achievement of the purposes of the Plan.

(k) *Limitation on Dividend Reinvestment and Dividend Equivalents*. Reinvestment of dividends in additional Restricted Stock at the time of any dividend payment, and the payment of shares of Common Stock with respect to dividends to Participants holding Awards of stock Units, shall only be permissible if sufficient shares are available under the Share Pool for such reinvestment or payment (taking into account then outstanding Awards). In the event that sufficient shares are not available under the Share Pool for such reinvestment or payment, such reinvestment or payment shall be made in the form of a grant of stock Units equal in number to the shares of Common Stock that would have been obtained by such payment or reinvestment, the terms of which stock Units shall provide for settlement in cash and for Dividend Equivalent reinvestment in further stock Units on the terms contemplated by this Section 7(k).

8. Withholding of Taxes.

Participants and holders of Awards shall pay to Skyward Specialty or its Affiliate, or make arrangements satisfactory to the Administrator for payment of, any Tax Withholding Obligation in respect of Awards granted under the Plan no later than the date of the event creating the tax or social insurance contribution liability. The obligations of Skyward Specialty under the Plan shall be conditional on such payment or arrangements. Unless otherwise determined by the Administrator, Tax Withholding Obligations may be settled in whole or in part with shares of Common Stock, including unrestricted outstanding shares surrendered to Skyward Specialty and unrestricted shares that are part of the Award that gives rise to the Tax Withholding Obligation, having a Fair Market Value on the date of surrender or withholding equal to the statutory minimum amount (or such greater amount permitted under FASB Accounting Standards Codification Topic 718, Compensation—Stock Compensation, for equity-classified awards) required to be withheld for tax or social insurance contribution purposes, all in accordance with such procedures as the Administrator establishes. Skyward Specialty or its Affiliate may deduct, to the extent permitted by law, any such Tax Withholding Obligations from any payment of any kind otherwise due to the Participant or holder of an Award.

9. Transferability of Awards.

(a) *General Nontransferability Absent Administrator Permission.* Except as otherwise determined by the Administrator, and in any event in the case of an Incentive Stock Option or a tandem stock appreciation right granted with respect to an Incentive Stock Option, no Award granted under the Plan shall be transferable by a Participant otherwise than by will or the laws of descent and distribution. The Administrator shall not permit any transfer of an Award for value. An Award may be exercised during the lifetime of the Participant, only by the Participant or, during the period the Participant is under a legal disability, by the Participant's guardian or legal representative, unless otherwise determined by the Administrator. Awards granted under the Plan shall not be subject in any manner to alienation, anticipation, sale, transfer, assignment, pledge, or encumbrance, except as otherwise determined by the Administrator; *provided, however,* that the restrictions in this sentence shall not apply to the shares of Common Stock received in connection with an Award after the date that the restrictions on transferability of such shares set forth in the applicable Award Agreement have lapsed. Nothing in this paragraph shall be interpreted or construed as overriding the terms of any Skyward Specialty stock ownership or retention policy, now or hereafter existing, that may apply to the Participant or shares of Common Stock received under an Award.

(b) *Administrator Discretion to Permit Transfers Other Than For Value.* Except as otherwise restricted by applicable law, the Administrator may, but need not, permit an Award, other than an Incentive Stock Option or a tandem stock appreciation right granted with respect to an Incentive Stock Option, to be transferred to a Participant's Family Member (as defined below) as a gift or pursuant to a domestic relations order in settlement of marital property rights. The Administrator shall not permit any transfer of an Award for value. For purposes of this Section 9, "Family Member" means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Participant's household (other than a tenant or employee), a trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than fifty percent (50%) of the voting interests. The following transactions are not prohibited transfers for value: (i) a transfer under a domestic relations order in settlement of marital property rights; and (ii) a transfer to an entity in which more than fifty percent of the voting interests are owned by Family Members (or the Participant) in exchange for an interest in that entity.

10. Adjustments for Corporate Transactions and Other Events.

(a) *Mandatory Adjustments*. In the event of a merger, consolidation, stock rights offering, statutory share exchange or similar event affecting Skyward Specialty (each, a "*Corporate Event*") or a stock dividend, stock split, reverse stock split, separation, spinoff, reorganization, extraordinary dividend of cash or other property, share combination or subdivision, recapitalization, capital reduction distribution, or similar event affecting the capital structure of Skyward Specialty (each, a "*Share Change*") that occurs at any time after the Effective Date (including any such Corporate Event or Share Change that occurs after such adoption and coincident with or prior to the Effective Date), the Administrator shall make equitable and appropriate substitutions or proportionate adjustments to (i) the aggregate number and kind of shares of Common Stock or other securities on which Awards under the Plan may be granted to Eligible Individuals, (ii) the maximum number of shares of Common Stock or other securities that may be issued with respect to Incentive Stock Options granted under the Plan, (iii) the number of shares of Common Stock or other securities covered by each outstanding Award and the exercise price, base price or other price per share, if any, and other relevant terms of each outstanding Award, and (iv) all other numerical limitations relating to Awards, whether contained in this Plan or in Award Agreements; *provided*, *however*, that any fractional shares resulting from any such adjustment shall be eliminated.

(b) *Discretionary Adjustments*. In the case of Corporate Events, the Administrator may make such other adjustments to outstanding Awards as it determines to be appropriate and desirable, which adjustments may include, without limitation, (i) the cancellation of outstanding Awards in exchange for payments of cash, securities or other property or a combination thereof having an aggregate value equal to the value of such Awards, as determined by the Administrator in its sole discretion (it being understood that in the case of a Corporate Event with respect to which stockholders of Skyward Specialty receive consideration other than publicly traded equity securities of the ultimate surviving entity, any such determination by the Administrator that the value of a stock option or stock appreciation right shall for this purpose be deemed to equal the excess, if any, of the value of the consideration being paid for each share of Common Stock pursuant to such Corporate Event over the exercise price or base price of such stock option or stock appreciation right shall conclusively be deemed valid and that any stock option or stock appreciation right may be cancelled for no consideration upon a Corporate Event if its exercise price or base price equals or exceeds the value of the consideration being paid for each share of Common Stock pursuant to such Corporate Event), (ii) the substitution of securities or other property (including, without limitation, cash or other securities of Skyward Specialty and securities of entities other than Skyward Specialty) for the shares of Common Stock subject to outstanding Awards, and (iii) the substitution of equivalent awards, as determined in the sole discretion of the Administrator, of the surviving or successor entity or a parent thereof ("*Substitute Awards*").

(c) *Adjustments to Performance Goals*. The Administrator may, in its discretion, adjust the Performance Goals applicable to any Awards to reflect any unusual or non-recurring events and other extraordinary items, impact of charges for restructurings, discontinued operations and the cumulative effects of accounting or tax changes, each as defined by generally accepted accounting principles or as identified in Skyward Specialty's consolidated financial statements, notes to the consolidated financial statements, management's discussion and analysis or other Skyward Specialty filings with the Securities and Exchange Commission. If the Administrator determines that a change in the business, operations, corporate structure or capital structure of Skyward Specialty or the applicable subsidiary, business segment or other operational unit of Skyward Specialty or any such entity or segment, or the manner in which any of the foregoing conducts its business, or other events or circumstances, render the Performance Goals to be unsuitable, the Administrator may modify such Performance Goals or the related minimum acceptable level of achievement, in whole or in part, as the Administrator deems appropriate and equitable.

(d) *Statutory Requirements Affecting Adjustments*. Notwithstanding the foregoing: (A) any adjustments made pursuant to Section 10 to Awards that are considered "deferred compensation" within the meaning of Section 409A of the Code shall be made in compliance with the requirements of Section 409A of the Code; (B) any adjustments made pursuant to Section 10 to Awards that are not considered "deferred compensation" subject to Section 409A of the Code shall be made in such a manner as to ensure that after such adjustment, the Awards either (1) continue not to be subject to Section 409A of the Code or (2) comply with the requirements of Section 409A of the Code; (C) in any event, the Administrator shall not have the authority to make any adjustments pursuant to Section 10 to the extent the existence of such authority would cause an Award that is not intended to be subject to Section 409A of the Code at the date of grant to be subject thereto; and (D) any adjustments made pursuant to Section 10 to Awards that are Incentive Stock Options shall be made in compliance with the requirements of Section 424(a) of the Code.

(e) *Dissolution or Liquidation.* Unless the Administrator determines otherwise, all Awards outstanding under the Plan shall terminate upon the dissolution or liquidation of Skyward Specialty.

11. Change in Control Provisions.

(a) *Termination of Awards*. Notwithstanding the provisions of Section 11(b), in the event that any transaction resulting in a Change in Control occurs, outstanding Awards will terminate upon the effective time of such Change in Control unless provision is made in connection with the transaction for the continuation or assumption of such Awards by, or for the issuance therefor of Substitute Awards of, the surviving or successor entity or a parent thereof. Solely with respect to Awards that will terminate as a result of the immediately preceding sentence and except as otherwise provided in the applicable Award Agreement:

(i) the outstanding Awards of stock options and stock appreciation rights that will terminate upon the effective time of the Change in Control shall, immediately before the effective time of the Change in Control, become fully exercisable and the holders of such Awards will be permitted, immediately before the Change in Control, to exercise the Awards;

(ii) the outstanding shares of Restricted Stock the vesting or restrictions on which are then solely time-based and not subject to achievement of Performance Goals shall, immediately before the effective time of the Change in Control, become fully vested, free of all transfer and lapse restrictions and free of all risks of forfeiture;

(iii) the outstanding shares of Restricted Stock the vesting or restrictions on which are then subject to and pending achievement of Performance Goals shall, immediately before the effective time of the Change in Control and unless the Award Agreement provides for vesting or lapsing of restrictions in a greater amount upon the occurrence of a Change in Control, become vested, free of transfer and lapse restrictions and risks of forfeiture in such amounts as if the applicable Performance Goals for the unexpired Performance Period had been achieved at the target level set forth in the applicable Award Agreement;

(iv) the outstanding Restricted Stock Units, Performance Shares and Performance Units the vesting, earning or settlement of which is then solely time-based and not subject to or pending achievement of Performance Goals shall, immediately before the effective time of the Change in Control, become fully earned and vested and shall be settled in cash or shares of Common Stock (consistent with the terms of the Award Agreement after taking into account the effect of the Change in Control transaction on the shares) as promptly as is practicable, subject to any applicable limitations imposed thereon by Section 409A of the Code; and

(v) the outstanding Restricted Stock Units, Performance Shares and Performance Units the vesting, earning or settlement of which is then subject to and pending achievement of Performance Goals shall, immediately before the effective time of the Change in Control and unless the Award Agreement provides for vesting, earning or settlement in a greater amount upon the occurrence of a Change in Control, become vested and earned in such amounts as if the applicable Performance Goals for the unexpired Performance Period had been achieved at the target level set forth in the applicable Award Agreement and shall be settled in cash or shares of Common Stock (consistent with the terms of the Award Agreement after taking into account the effect of the Change in Control transaction on the shares) as promptly as is practicable, subject to any applicable limitations imposed thereon by Section 409A of the Code.

Implementation of the provisions of this Section 11(a) shall be conditioned upon consummation of the Change in Control.

(b) *Continuation, Assumption or Substitution of Awards*. The Administrator may specify, on or after the date of grant, in an award agreement or amendment thereto, the consequences of a Participant's Termination of Service that occurs coincident with or following the occurrence of a Change in Control, if a Change in Control occurs under which provision is made in connection with the transaction for the continuation or assumption of outstanding Awards by, or for the issuance therefor of Substitute Awards of, the surviving or successor entity or a parent thereof.

(c) *Other Permitted Actions*. In the event that any transaction resulting in a Change in Control occurs, the Administrator may take any of the actions set forth in Section 10 with respect to any or all Awards granted under the Plan.

(d) *Section 409A Savings Clause*. Notwithstanding the foregoing, if any Award is considered to be a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code, this Section 11 shall apply to such Award only to the extent that its application would not result in the imposition of any tax or interest or the inclusion of any amount in income under Section 409A of the Code.

12. Substitution of Awards in Mergers and Acquisitions.

Awards may be granted under the Plan from time to time in substitution for assumed awards held by employees, officers, or directors of entities who become employees, officers, or directors of Skyward Specialty or a Subsidiary as the result of a merger or consolidation of the entity for which they perform services with Skyward Specialty or a Subsidiary, or the acquisition by Skyward Specialty of the assets or stock of the such entity. The terms and conditions of any Awards so granted may vary from the terms and conditions set forth herein to the extent that the Administrator deems appropriate at the time of grant to conform the Awards to the provisions of the assumed awards for which they are substituted and to preserve their intrinsic value as of the date of the merger, consolidation or acquisition transaction. To the extent permitted by applicable law and marketplace or listing rules of the primary securities market or exchange on which the Common Stock is listed or admitted for trading, any available shares under a stockholder-approved plan of an acquired company (as appropriately adjusted to reflect the transaction) may be used for Awards granted pursuant to this Section 12 and, upon such grant, shall not reduce the Share Pool.

13. Compliance with Securities Laws; Listing and Registration.

(a) The obligation of Skyward Specialty to sell or deliver Common Stock with respect to any Award granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal, state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Administrator. If at any time the Administrator determines that the delivery of Common Stock under the Plan is or may be unlawful under the laws of any applicable jurisdiction, or Federal, state or foreign (non-United States) securities laws, the right to exercise an Award or receive shares of Common Stock pursuant to an Award shall be suspended until the Administrator determines that such delivery is lawful. If at any time the Administrator determines that the delivery of Common Stock under the Plan would or may violate the rules of any exchange on which Skyward Specialty's securities are then listed for trade, the right to exercise an Award or receive shares of Common Stock pursuant to an Award shall be suspended until the Administrator determines that such delivery would not violate such rules. If the Administrator determines that the exercise or nonforfeitability of, or delivery of benefits pursuant to, any Award would violate any applicable provision of securities laws or the listing requirements of any stock exchange upon which any of Skyward Specialty's equity securities are listed, then the Administrator may postpone any such exercise, nonforfeitability or delivery, as applicable, but Skyward Specialty shall use all reasonable efforts to cause such exercise, nonforfeitability or delivery to comply with all such provisions at the earliest practicable date.

(b) Each Award is subject to the requirement that, if at any time the Administrator determines, in its absolute discretion, that the listing, registration or qualification of Common Stock issuable pursuant to the Plan is required by any securities exchange or under any state, federal or foreign (non-United States) law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the grant of an Award or the issuance of Common Stock, no such Award shall be granted or payment made or Common Stock issued, in whole or in part, unless listing, registration, qualification, consent or approval has been effected or obtained free of any conditions not acceptable to the Administrator.

(c) In the event that the disposition of Common Stock acquired pursuant to the Plan is not covered by a then current registration statement under the Securities Act of 1933, as amended (the "*Securities Act*"), and is not otherwise exempt from such registration, such Common Stock shall be restricted against transfer to the extent required by the Securities Act or regulations thereunder, and the Administrator may require a person receiving Common Stock pursuant to the Plan, as a condition precedent to receipt of such Common Stock, to represent to Skyward Specialty in writing that the Common Stock acquired by such person is acquired for investment only and not with a view to distribution and that such person will not dispose of the Common Stock so acquired in violation of Federal, state or foreign securities laws and furnish such information as may, in the opinion of counsel for the Company, be appropriate to permit the Company to issue the Common Stock in compliance with applicable Federal, state or foreign securities laws.

14. Section 409A Compliance.

It is the intention of Skyward Specialty that any Award that constitutes a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code shall comply in all respects with the requirements of Section 409A of the Code to avoid the imposition of any tax or interest or the inclusion of any amount in income pursuant to Section 409A of the Code, and the terms of each such Award shall be construed, administered and deemed amended, if applicable, in a manner consistent with this intention. Notwithstanding the foregoing, neither Skyward Specialty nor any of its Affiliates nor any of its or their directors, officers, employees, agents or other service providers will be liable for any taxes, penalties or interest imposed on any Participant or other person with respect to any amounts paid or payable (whether in cash, shares of Common Stock or other property) under any Award, including any taxes, penalties or interest imposed under or as a result of Section 409A of the Code. Any payments described in an Award that are due within the "short term deferral period" as defined in Section 409A of the Code shall not be treated as deferred compensation unless applicable law requires otherwise. For purposes of any Award, each amount to be paid or benefit to be provided to a Participant that constitutes deferred compensation subject to Section 409A of the Code shall be construed as a separate identified payment for purposes of Section 409A of the Code. For purposes of Section 409A of the Code, the payment of Dividend Equivalents under any Award shall be construed as earnings and the time and form of payment of such Dividend Equivalents shall be treated separately from the time and form of payment of the underlying Award. Notwithstanding any other provision of the Plan to the contrary, with respect to any Award that constitutes a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code, any payments (whether in cash, shares of Common Stock or other property) to be made with respect to the Award that become payable on account of the Participant's separation from service, within the meaning of Section 409A of the Code, while the Participant is a "specified employee" (as determined in accordance with the uniform policy adopted by the Administrator with respect to all of the arrangements subject to Section 409A of the Code maintained by Skyward Specialty and its Affiliates) and which would otherwise be paid within six months after the Participant's separation from service, to the extent necessary to avoid the imposition of taxes under Section 409A, shall be accumulated (without interest) and paid on the first day of the seventh month following the Participant's separation from service or, if earlier, within 15 days after the appointment of the personal representative or executor of the Participant's estate following the Participant's death. Notwithstanding anything in the Plan or an Award Agreement to the contrary, in no event shall the Administrator exercise its discretion to accelerate the payment or settlement of an Award where such payment or settlement constitutes deferred compensation within the meaning of Code section 409A unless, and solely to the extent that, such accelerated payment or settlement is permissible under Treasury Regulation section 1.409A-3(j)(4).

15. Plan Duration; Amendment and Discontinuance.

(a) *Plan Duration*. The Plan shall remain in effect, subject to the right of the Board or the Compensation Committee to amend or terminate the Plan at any time, until the earlier of (a) the earliest date as of which all Awards granted under the Plan have been satisfied in full or terminated and no shares of Common Stock approved for issuance under the Plan remain available to be granted under new Awards or (b) September 22, 2032. No Awards shall be granted under the Plan after such termination date. Subject to other applicable provisions of the Plan, all Awards made under the Plan on or before September 22, 2032 or such earlier termination of the Plan, shall remain in effect until such Awards have been satisfied or terminated in accordance with the Plan and the terms of such Awards.

(b) *Amendment and Discontinuance of the Plan*. The Board or the Compensation Committee may amend, alter or discontinue the Plan, but no amendment, alteration or discontinuation shall be made which would materially impair the rights of a Participant with respect to a previously granted Award without such Participant's consent, except such an amendment made to comply with applicable law or rule of any securities exchange or market on which the Common Stock is listed or admitted for trading or to prevent adverse tax or accounting consequences to Skyward Specialty or the Participant. Notwithstanding the foregoing, no such amendment shall be made without the approval of Skyward Specialty's stockholders to the extent such amendment would (A) materially increase the benefits accruing to Participants under the Plan, (B) materially increase the number of shares of Common Stock which may be issued under the Plan or to a Participant, (C) materially expand the eligibility for participation in the Plan, (D) eliminate or modify the prohibition set forth in Section 7(e) on repricing of stock options and stock appreciation rights, (E) lengthen the maximum term or lower the minimum exercise price or base price permitted for stock options and stock appreciation rights, or (F) modify the prohibition on the issuance of reload or replenishment options. Except as otherwise determined by the Board or Compensation Committee, termination of the Plan shall not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

(c) *Amendment of Awards*. Subject to Section 7(e), the Administrator may unilaterally amend the terms of any Award theretofore granted, but no such amendment shall materially impair the rights of any Participant with respect to an Award without the Participant's consent, except such an amendment made to cause the Plan or Award to comply with applicable law, applicable rule of any securities exchange on which the Common Stock is listed or admitted for trading, or to prevent adverse tax or accounting consequences for the Participant or the Company or any of its Affiliates. For purposes of the foregoing sentence, an amendment to an Award that results in a change in the tax consequences of the Award to the Participant shall not be considered to be a material impairment of the rights of the Participant and shall not require the Participant's consent.

16. General Provisions.

(a) *Non-Guarantee of Employment or Service*. Nothing in the Plan or in any Award Agreement thereunder shall confer any right on an individual to continue in the service of Skyward Specialty or any Affiliate or shall interfere in any way with the right of Skyward Specialty or any Affiliate to terminate such service at any time with or without cause or notice and whether or not such termination results in (i) the failure of any Award to vest or become payable; (ii) the forfeiture of any unvested or vested portion of any Award; and/or (iii) any other adverse effect on the individual's interests under any Award or the Plan. No person, even though deemed an Eligible Individual, shall have a right to be selected as a Participant, or, having been so selected, to be selected again as a Participant. To the extent that an Eligible Individual who is an employee of a Subsidiary receives an Award under the Plan, that Award shall in no event be understood or interpreted to mean that Skyward Specialty is the Participant's employer or that the Participant has an employment relationship with Skyward Specialty.

(b) *No Trust or Fund Created*. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between Skyward Specialty and a Participant or any other person. To the extent that any Participant or other person acquires a right to receive payments from Skyward Specialty pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of Skyward Specialty.

(c) *Status of Awards.* Awards shall be special incentive payments to the Participant and shall not be taken into account in computing the amount of salary or compensation of the Participant for purposes of determining any pension, retirement, death, severance or other benefit under (a) any pension, retirement, profit-sharing, bonus, insurance, severance or other employee benefit plan of Skyward Specialty or any Affiliate now or hereafter in effect under which the availability or amount of benefits is related to the level of compensation or (b) any agreement between (i) Skyward Specialty or any Affiliate and (ii) the Participant, except as such plan or agreement shall otherwise expressly provide.

(d) *Subsidiary Employees*. In the case of a grant of an Award to an Eligible Individual who provides services to any Subsidiary, Skyward Specialty may, if the Administrator so directs, issue or transfer the shares of Common Stock, if any, covered by the Award to the Subsidiary, for such lawful consideration as the Administrator may specify, upon the condition or understanding that the Subsidiary will transfer the shares of Common Stock to the Eligible Individual in accordance with the terms of the Award specified by the Administrator pursuant to the provisions of the Plan. All shares of Common Stock underlying Awards that are forfeited or canceled after such issue or transfer of shares to the Subsidiary shall revert to Skyward Specialty.

(e) *Governing Law and Interpretation.* The validity, construction and effect of the Plan, of Award Agreements entered into pursuant to the Plan, and of any rules, regulations, determinations or decisions made by the Administrator relating to the Plan or such Award Agreements, and the rights of any and all persons having or claiming to have any interest therein or thereunder, shall be determined exclusively in accordance with applicable United States federal laws and the laws of the State of Delaware, without regard to its conflict of laws principles. The captions of the Plan are not part of the provisions hereof and shall have no force or effect. Except where the context otherwise requires: (i) the singular includes the plural and vice versa; (ii) a reference to one gender includes other genders; (iii) a reference to a person includes a natural person, partnership, corporation, association, governmental or local authority or agency or other entity; and (iv) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.

(f) *Use of English Language.* The Plan, each Award Agreement, and all other documents, notices and legal proceedings entered into, given or instituted pursuant to an Award shall be written in English, unless otherwise determined by the Administrator. If a Participant receives an Award Agreement, a copy of the Plan or any other documents related to an Award translated into a language other than English, and if the meaning of the translated version is different from the English version, the English version shall control.

(g) *Recovery of Amounts Paid.* Except as otherwise provided by the Administrator, Awards granted under the Plan shall be subject to any and all policies, guidelines, codes of conduct, or other agreement or arrangement adopted by the Board or Compensation Committee with respect to the recoupment, recovery or clawback of compensation (collectively, the "Recoupment Policy") and/or to any provisions set forth in the applicable Award Agreement under which Skyward Specialty may recover from current and former Participants any amounts paid or shares of Common Stock issued under an Award and any proceeds therefrom under such circumstances as the Administrator determines appropriate. The Administrator may apply the Recoupment Policy to Awards granted before the policy is adopted to the extent required by applicable law or rule of any securities exchange or market on which shares of Common Stock are listed or admitted for trading, as determined by the Administrator in its sole discretion.

17. Glossary.

Under this Plan, except where the context otherwise indicates, the following definitions apply:

"Administrator" means the Compensation Committee, or such other committee(s) of director(s) duly appointed by the Board or the Compensation Committee to administer the Plan or delegated limited authority to perform administrative actions under the Plan, and having such powers as shall be specified by the Board or the Compensation Committee; provided, however, that at any time the Board may serve as the Administrator in lieu of or in addition to the Compensation Committee or such other committee(s) of director(s) to whom administrative authority has been delegated. With respect to any Award to which Section 16 of the Exchange Act applies, the Administrator shall consist of either the Board or a committee of the Board, which committee shall consist of three or more directors, each of whom is intended to be, to the extent required by Rule 16b-3 of the Exchange Act, a "non-employee director" as defined in Rule 16b-3 of the Exchange Act and an "independent director" to the extent required by the rules of the national securities exchange that is the principal trading market for the Common Stock, provided that, with respect to Awards made to a member of the Board who is not an employee of the Company, Administrator means the Board. Any member of the Administrator who does not meet the foregoing requirements shall abstain from any decision regarding an Award and shall not be considered a member of the Administrator to the extent required to comply with Rule 16b-3 of the Exchange Act.

"*Affiliate"* means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with, Skyward Specialty or any successor to Skyward Specialty. For this purpose, "control" (including the correlative meanings of the terms "controlled by" and "under common control with") shall mean ownership, directly or indirectly, of 50% or more of the total combined voting power of all classes of voting securities issued by such entity, or the possession, directly or indirectly, of the power to direct the management and policies of such entity, by contract or otherwise.

"*Award*" means any stock option, stock appreciation right, stock award, stock unit, Performance Share, Performance Unit, and/or Other Stock-Based Award, whether granted under this Plan.

"Award Agreement" means the written document(s), including an electronic writing acceptable to the Administrator, and any notice, addendum or supplement thereto, memorializing the terms and conditions of an Award granted pursuant to the Plan and which shall incorporate the terms of the Plan.

"*Board*" means the Board of Directors of Skyward Specialty.

"*Cause*" means, unless otherwise defined in an employment agreement or Award Agreement, a termination of the Participant's service because of: (1) any act or omission that constitutes a material breach by the Participant of any of his or her obligations under the Plan or an Award Agreement; (2) the Participant's conviction of, or plea of nolo contendere to, (A) any felony or (B) another crime involving dishonesty or moral turpitude or which could reflect negatively upon the Skyward Specialty or any of its Affiliates or otherwise impair or impede their operations; (3) the Participant's engaging in any misconduct, negligence, act of dishonesty, violence or threat of violence (including any violation of federal securities laws) that is injurious to the Skyward Specialty or any of its Affiliates; (4) the Participant's material breach of a written policy of the Skyward Specialty or the rules of any governmental or regulatory body applicable to the Skyward Specialty; (5) the Participant's refusal to follow the directions of the Board; or (6) any other willful misconduct by the Participant that is materially injurious to the financial condition or business reputation of the Skyward Specialty or any of its Affiliates. Notwithstanding anything to the contrary, Cause shall be determined in the sole discretion of the Chief Executive Officer of Skyward Specialty and such Chief Executive Officer shall have the sole discretion to use after-acquired evidence to retroactively recharacterize the prior termination as a termination for Cause if such after-acquired evidence supports such an action; provided that if the Participant in question is the Chief Executive Officer, then such determination shall be made in the sole discretion of the Board, which may also use after-acquired evidence in making such determination.

"*Change in Control*" means, unless otherwise defined in an Award Agreement, the first of the following to occur: (i) a Change in Ownership of Skyward Specialty, (ii) a Change in Effective Control of Skyward Specialty, or (iii) a Change in the Ownership of Assets of Skyward Specialty, as described herein and construed in accordance with Code section 409A.

(i) A "Change in Ownership of Skyward Specialty" shall occur on the date that any one Person acquires, or Persons Acting as a Group acquire, ownership of the capital stock of Skyward Specialty that, together with the stock held by such Person or Group, constitutes more than 50% of the total fair market value or total voting power of the capital stock of Skyward Specialty. However, if any one Person is, or Persons Acting as a Group are, considered to own more than 50%, on a fully diluted basis, of the total fair market value or total voting power of the capital stock of Skyward Specialty, the acquisition of additional stock by the same Person or Persons Acting as a Group is not considered to cause a Change in Ownership of Skyward Specialty or to cause a Change in Effective Control of Skyward Specialty (as described below). An increase in the percentage of capital stock owned by any one Person, or Persons Acting as a Group, as a result of a transaction in which Skyward Specialty acquires its stock in exchange for property will be treated as an acquisition of stock.

(ii) A "Change in Effective Control of Skyward Specialty" shall occur on the date either (A) a majority of members of Skyward Specialty's Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of Skyward Specialty's Board before the date of the appointment or election, or (B) any one Person, or Persons Acting as a Group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Persons) ownership of stock of Skyward Specialty possessing 50% or more of the total voting power of the stock of Skyward Specialty.

(iii) A "Change in the Ownership of Assets of Skyward Specialty" shall occur on the date that any one Person acquires, or Persons Acting as a Group acquire (or has or have acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Persons), assets from Skyward Specialty that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of Skyward Specialty immediately before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of Skyward Specialty, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

The following rules of construction apply in interpreting the definition of Change in Control:

(A) A "*Person*" means any individual, entity or group within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended, other than employee benefit plans sponsored or maintained by Skyward Specialty and by entities controlled by Skyward Specialty or an underwriter, initial purchaser or placement agent temporarily holding the capital stock of Skyward Specialty pursuant to a registered public offering.

(B) Persons will be considered to be Persons Acting as a Group (or Group) if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the corporation. If a Person owns stock in both corporations that enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a Group with other shareholders only with respect to the ownership in that corporation before the transaction giving rise to the change and not with respect to the ownership interest in the other corporation. Persons will not be considered to be acting as a Group solely because they purchase assets of the same corporation at the same time or purchase or own stock of the same corporation at the same time, or as a result of the same public offering.

(C) A Change in Control shall not include a transfer to a related person as described in Code section 409A or a public offering of capital stock of Skyward Specialty.

(D) For purposes of the definition of Change in Control, Section 318(a) of the Code applies to determine stock ownership. Stock underlying a vested option is considered owned by the individual who holds the vested option (and the stock underlying an unvested option is not considered owned by the individual who holds the unvested option). For purposes of the preceding sentence, however, if a vested option is exercisable for stock that is not substantially vested (as defined by Treasury Regulation §1.83-3(b) and (j)), the stock underlying the option is not treated as owned by the individual who holds the option.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto, the Treasury Regulations thereunder and other relevant interpretive guidance issued by the Internal Revenue Service or the Treasury Department. Reference to any specific section of the Code shall be deemed to include such regulations and guidance, as well as any successor section, regulations and guidance.

"Common Stock" means shares of common stock of Skyward Specialty Insurance Group, Inc., par value $0.01 per share, and any capital securities into which they are converted.

"*Company*" means Skyward Specialty Insurance Group, Inc. and its Subsidiaries, except where the context otherwise requires. For purposes of determining whether a Change in Control has occurred, Company shall mean only Skyward Specialty Insurance Group, Inc.

"Compensation Committee" means the Compensation Committee of the Board.

"*Director Limit*" shall have the meaning ascribed to it in Section 5(e) of the Plan.

"*Dividend Equivalent*" means a right, granted to a Participant, to receive cash, Common Stock, stock Units or other property equal in value to dividends paid with respect to a specified number of shares of Common Stock.

"*Effective Date*" means the date the Plan is adopted by the Board.

"*Eligible Individuals*" means (i) officers and employees of, and other individuals, including non-employee directors, who are natural persons providing bona fide services to or for, Skyward Specialty or any of its Subsidiaries, *provided* that such services are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for Skyward Specialty's securities, and (ii) prospective officers, employees and service providers who have accepted offers of employment or other service relationship from Skyward Specialty or a Subsidiary.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto. Reference to any specific section of the Exchange Act shall be deemed to include such regulations and guidance issued thereunder, as well as any successor section, regulations and guidance.

"*Fair Market Value*" means, on a per share basis as of any date, unless otherwise determined by the Administrator:

(i) if the principal market for the Common Stock (as determined by the Administrator if the Common Stock is listed or admitted to trading on more than one exchange or market) is a national securities exchange or an established securities market, unless otherwise determined by the Administrator, the official closing price per share of Common Stock for the regular market session on that date on the principal exchange or market on which the Common Stock is then listed or admitted to trading or, if no sale is reported for that date, on the last preceding day on which a sale was reported, all as reported by such source as the Administrator may select;

(ii) if the principal market for the Common Stock is not a national securities exchange or an established securities market, but the Common Stock is quoted by a national quotation system, the average of the highest bid and lowest asked prices for the Common Stock on that date as reported on a national quotation system or, if no prices are reported for that date, on the last preceding day on which prices were reported, all as reported by such source as the Administrator may select; or

(iii) if the Common Stock is neither listed or admitted to trading on a national securities exchange or an established securities market, nor quoted by a national quotation system, the value determined by the Administrator in good faith by the reasonable application of a reasonable valuation method, which method may, but need not, include taking into account an appraisal of the fair market value of the Common Stock conducted by a nationally recognized appraisal firm selected by the Administrator.

Notwithstanding the preceding, for foreign, federal, state and local income tax reporting purposes and for such other purposes as the Administrator deems appropriate, the Fair Market Value shall be determined by the Administrator in accordance with uniform and nondiscriminatory standards adopted by it from time to time.

"*Full Value Award*" means an Award that results in Skyward Specialty transferring the full value of a share of Common Stock under the Award, whether or not an actual share of stock is issued. Full Value Awards shall include, but are not limited to, stock awards, stock units, Performance Shares, Performance Units that are payable in Common Stock, and Other Stock-Based Awards for which Skyward Specialty transfers the full value of a share of Common Stock under the Award, but shall not include Dividend Equivalents.

"*Incentive Stock Option*" means any stock option that is designated, in the applicable Award Agreement or the resolutions of the Administrator under which the stock option is granted, as an "incentive stock option" within the meaning of Section 422 of the Code and otherwise meets the requirements to be an "incentive stock option" set forth in Section 422 of the Code.

"*IPO Date*" means the date of the underwriting agreement between Skyward Specialty and the underwriter(s) managing the initial public offering of the Common Stock, pursuant to which the Common Stock is priced for the initial public offering.

"*Non-Employee Director*" means a member of the Board who is not an employee of Skyward Specialty or any of its Affiliates.

"*Nonqualified Option*" means any stock option that is not an Incentive Stock Option.

"*Other Stock-Based Award*" means an Award of Common Stock or any other Award that is valued in whole or in part by reference to, or is otherwise based upon, shares of Common Stock, including without limitation Dividend Equivalents and convertible debentures.

"*Participant*" means an Eligible Individual to whom one or more Awards are or have been granted pursuant to the Plan and have not been fully settled or cancelled and, following the death of any such person, his successors, heirs, executors and administrators, as the case may be.

"*Performance Award*" means a Full Value Award, the grant, vesting, lapse of restrictions or settlement of which is conditioned upon the achievement of performance objectives over a specified Performance Period and includes, without limitation, Performance Shares and Performance Units.

"*Performance Goals*" means the performance goals established by the Administrator in connection with the grant of Awards based on Performance Metrics or other performance criteria selected by the Administrator.

"*Performance Period*" means that period established by the Administrator during which any Performance Goals specified by the Administrator with respect to such Award are to be measured.

"*Performance Metrics*" means criteria established by the Administrator for purposes of structuring goals under performance-based Awards, which may relate to any of the following, as it may apply to an individual, one or more business units, divisions, or Affiliates, or on a company-wide basis, and in absolute terms, relative to a base period, or relative to the performance of one or more comparable companies, peer groups, or an index covering multiple companies:

(i) *Earnings or Profitability Metrics*: any derivative of sales or revenue; earnings/loss (gross, operating, net, or adjusted); book value; risk management; earnings/loss before interest and taxes ("EBIT"); earnings/loss before interest, taxes, depreciation and amortization ("EBITDA"); profit margins; operating margins; expense levels or ratios; *provided* that any of the foregoing metrics may be adjusted to eliminate the effect of any one or more of the following: interest expense, asset impairments or investment losses, early extinguishment of debt or stock-based compensation expense;

(ii) *Return Metrics*: any derivative of return on investment, assets, equity or capital (total or invested);

(iii) *Investment Metrics:* relative risk-adjusted investment performance; investment performance of assets under management;

(iv) *Cash Flow Metrics*: any derivative of operating cash flow; cash flow sufficient to achieve financial ratios or a specified cash balance; free cash flow; cash flow return on capital; net cash provided by operating activities; cash flow per share; working capital;

(v) *Liquidity Metrics*: any derivative of debt leverage (including debt to capital, net debt-to-capital, debt-to-EBITDA or other liquidity ratios);

(vi) *Stock Price and Equity Metrics*: any derivative of return on stockholders' equity; total stockholder return; stock price; stock price appreciation; market capitalization; earnings/loss per share (basic or diluted) (before or after taxes);

(vii) *Insurance Related Metrics:* written or earned premium growth, direct or net; written or earned premium, direct or net; new business premium, direct or net; policy retention; premium retention; policies in force; pricing; underwriting income; investment income or yield, one or more operating ratios (including, without limitation, loss and loss adjustment expense ratio, catastrophe loss ratio, combined ratio, expense ratio, accident or calendar year); borrowing levels, leverage ratios or credit rating; and/or

(viii) *Other Performance Metrics:* economic value added; surplus levels or growth; product development; sales of particular products or services; development of business goals; customer acquisition, satisfaction or retention; service levels or standards; leadership effectiveness; human capital management; environmental, social and governance (ESG) metrics; business development; or the occurrence of, or participation in the negotiation or effectuation of, any of: acquisitions and divestitures (in whole or in part), joint ventures and strategic alliances, spin-offs, split-ups and the like, reorganizations, or recapitalizations, restructurings, financings (issuance of debt or equity) or refinancings.

"*Performance Shares*" means a grant of stock or stock Units the issuance, vesting or payment of which is contingent on performance as measured against predetermined objectives over a specified Performance Period.

"*Performance Units*" means a grant of dollar-denominated Units the value, vesting or payment of which is contingent on performance against predetermined objectives over a specified Performance Period.

"*Plan*" means this Skyward Specialty Insurance Group, Inc. 2022 Long-Term Incentive Plan, as set forth herein and as it may be amended from time to time.

"*Restricted Stock*" means an Award of shares of Common Stock to a Participant that may be subject to certain transferability and other restrictions and to a risk of forfeiture (including by reason of not satisfying certain Performance Goals).

"*Restricted Stock Unit*" means a right granted to a Participant to receive shares of Common Stock or cash at the end of a specified deferral period, which right may be conditioned on the satisfaction of certain requirements (including the satisfaction of certain Performance Goals).

"*Restriction Period*" means, with respect to Full Value Awards, the period commencing on the date of grant of such Award to which vesting or transferability and other restrictions and a risk of forfeiture apply and ending upon the expiration of the applicable vesting conditions, transferability and other restrictions and lapse of risk of forfeiture and/or the achievement of the applicable Performance Goals (it being understood that the Administrator may provide that vesting shall occur and/or restrictions shall lapse with respect to portions of the applicable Award during the Restriction Period).

"*Skyward Specialty*" means Skyward Specialty Insurance Group, Inc., a Delaware corporation.

"*Subsidiary*" means any corporation or other entity in an unbroken chain of corporations or other entities beginning with Skyward Specialty if each of the corporations or other entities, or group of commonly controlled corporations or other entities, other than the last corporation or other entity in the unbroken chain then owns stock or other equity interests possessing 50% or more of the total combined voting power of all classes of stock or other equity interests in one of the other corporations or other entities in such chain or otherwise has the power to direct the management and policies of the entity by contract or by means of appointing a majority of the members of the board or other body that controls the affairs of the entity; *provided, however,* that solely for purposes of determining whether a Participant has a Termination of Service that is a "separation from service" within the meaning of Section 409A of the Code or whether an Eligible Individual is eligible to be granted an Award that in the hands of such Eligible Individual would constitute a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code , a "Subsidiary" of a corporation or other entity means all other entities with which such corporation or other entity would be considered a single employer under Sections 414(b) or 414(c) of the Code.

"*Tax Withholding Obligation*" means any federal, state, local or foreign (non-United States) income, employment or other tax or social insurance contribution required by applicable law to be withheld in respect of Awards.

"*Termination of Service*" means the termination of the Participant's employment, or performance of services for, Skyward Specialty and its Subsidiaries. Temporary absences from employment because of illness, vacation or leave of absence and transfers among Skyward Specialty and its Subsidiaries shall not be considered Terminations of Service. With respect to any Award that constitutes a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code, "Termination of Service" shall mean a "separation from service" as defined under Section 409A of the Code to the extent required by Section 409A of the Code to avoid the imposition of any tax or interest or the inclusion of any amount in income pursuant to Section 409A of the Code. A Participant has a separation from service within the meaning of Section 409A of the Code if the Participant terminates employment with Skyward Specialty and all Subsidiaries for any reason. A Participant will generally be treated as having terminated employment with Skyward Specialty and all Subsidiaries as of a certain date if the Participant and the entity that employs the Participant reasonably anticipate that the Participant will perform no further services for Skyward Specialty or any Subsidiary after such date or that the level of bona fide services that the Participant will perform after such date (whether as an employee or an independent contractor) will permanently decrease to no more than 20 percent (20%) of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services if the Participant has been providing services for fewer than 36 months); *provided, however,* that the employment relationship is treated as continuing while the Participant is on military leave, sick leave or other bona fide leave of absence if the period of leave does not exceed six months or, if longer, so long as the Participant retains the right to reemployment with Skyward Specialty or any Subsidiary.

"*Total and Permanent Disability*" means, with respect to a Participant, except as otherwise provided in the relevant Award Agreement, that a Participant's inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment as determined by the Skyward Specialty's long-term disability insurance carrier.

"*Unit*" means a bookkeeping entry used by Skyward Specialty to record and account for the grant of the following types of Awards until such time as the Award is paid, cancelled, forfeited or terminated, as the case may be: stock units, Restricted Stock Units, Performance Units, and Performance Shares that are expressed in terms of units of Common Stock.

{*end of document*}

Exhibit 10.5

SKYWARD SPECIALTY INSURANCE GROUP, INC.

2022 EMPLOYEE STOCK PURCHASE PLAN

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SKYWARD SPECIALTY INSURANCE GROUP, INC.

2022 EMPLOYEE STOCK PURCHASE PLAN

1. **ESTABLISHMENT, PURPOSE AND TERM OF PLAN.**

1.1 **Establishment.** The Skyward Specialty Insurance Group, Inc. 2022 Employee Stock Purchase Plan (the *"**Plan**"*) is hereby established effective as of September 23, 2022, the date of its approval by the stockholders of the Company (the *"**Effective Date**"*).

1.2 **Purpose.** The purpose of the Plan is to advance the interests of the Company and its stockholders by providing an incentive to attract, retain and reward Eligible Employees of the Participating Company Group and by motivating such persons to contribute to the growth and profitability of the Participating Company Group. The Plan provides such Eligible Employees with an opportunity to acquire a proprietary interest in the Company through the purchase of Stock. The Company intends that the Plan qualify as an "employee stock purchase plan" under Section 423 of the Code (including any amendments or replacements of such section), and the Plan shall be so construed.

1.3 **Term of Plan.** The Plan shall continue in effect until its termination by the Committee.

2. **DEFINITIONS AND CONSTRUCTION.**

2.1 **Definitions.** Any term not expressly defined in the Plan but defined for purposes of Section 423 of the Code shall have the same definition herein. Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) *"**Board**"* means the Board of Directors of the Company.

(b) *"**Change in Control**"* means the occurrence of any one or a combination of the following:

(i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as such term is defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total Fair Market Value or total combined voting power of the Company's then-outstanding securities entitled to vote generally in the election of Directors; provided, however, that a Change in Control shall not be deemed to have occurred if such degree of beneficial ownership results from any of the following: (A) an acquisition by any person who on the Effective Date is the beneficial owner of more than fifty percent (50%) of such voting power, (B) any acquisition directly from the Company, including, without limitation, pursuant to or in connection with a public offering of securities, (C) any acquisition by the Company, (D) any acquisition by a trustee or other fiduciary under an employee benefit plan of a Participating Company or (E) any acquisition by an entity owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the voting securities of the Company; or

(ii) an Ownership Change Event or series of related Ownership Change Events (collectively, a *"**Transaction**"*) in which the stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding securities entitled to vote generally in the election of Directors or, in the case of an Ownership Change Event described in Section 2.1(p)(iii), the entity to which the assets of the Company were transferred (the *"**Transferee**"*), as the case may be; or

(iii) approval by the stockholders of a plan of complete liquidation or dissolution of the Company;

provided, however, that a Change in Control shall be deemed not to include a transaction described in subsections (i) or (ii) of this Section 2.1(b) in which a majority of the members of the board of directors of the continuing, surviving or successor entity, or parent thereof, immediately after such transaction is comprised of Incumbent Directors.

For purposes of the preceding sentence, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which own the Company or the Transferee, as the case may be, either directly or through one or more subsidiary corporations or other business entities. The Committee shall determine whether multiple acquisitions of the voting securities of the Company and/or multiple Ownership Change Events are related and to be treated in the aggregate as a single Change in Control, and its determination shall be final, binding and conclusive.

(c) *"**Code**"* means the Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated thereunder.

(d) *"**Committee**"* means the Compensation Committee and such other committee or subcommittee of the Board, if any, duly appointed to administer the Plan and having such powers in each instance as shall be specified by the Board. If, at any time, there is no committee of the Board then authorized or properly constituted to administer the Plan, the Board shall exercise all of the powers of the Committee granted herein, and, in any event, the Board may in its discretion exercise any or all of such powers.

(e) *"**Company**"* means Skyward Specialty Insurance Group, Inc., a Delaware corporation, or any successor corporation thereto.

(f) *"**Compensation**"* means, with respect to any Offering Period, regular base wages or salary, overtime payments, shift premiums and payments for paid time off, calculated before deduction of (i) any income or employment tax withholdings or (ii) any amounts deferred pursuant to Section 401(k) or Section 125 of the Code. Compensation shall be limited to such amounts actually payable in cash or deferred during the Offering Period. Compensation shall not include (i) sign-on bonuses, annual or other incentive bonuses, commissions, profit-sharing distributions or other incentive-type payments, (ii) any contributions made by a Participating Company on the Participant's behalf to any employee benefit or welfare plan now or hereafter established (other than amounts deferred pursuant to Section 401(k) or Section 125 of the Code), (iii) payments in lieu of notice, payments pursuant to a severance agreement, termination pay, moving allowances, relocation payments, or (iv) any amounts directly or indirectly paid pursuant to the Plan or any other stock purchase, stock option or other stock-based compensation plan, or any other compensation not expressly included by this Section.

(g) *"**Eligible Employee**"* means an Employee who meets the requirements set forth in Section 5 for eligibility to participate in the Plan.

(h) *"**Employee**"* means a person treated as an employee of a Participating Company for purposes of Section 423 of the Code. A Participant shall be deemed to have ceased to be an Employee either upon an actual termination of employment or upon the corporation employing the Participant ceasing to be a Participating Company. For purposes of the Plan, an individual shall not be deemed to have ceased to be an Employee while on any military leave, sick leave, or other bona fide leave of absence approved by the Company of ninety (90) days or less. If an individual's leave of absence exceeds ninety (90) days, the individual shall be deemed to have ceased to be an Employee on the ninety-first (91st) day of such leave unless the individual's right to reemployment with the Participating Company Group is guaranteed either by statute or by contract.

(i) *"**Fair Market Value**"* means, as of any date:

(i) If, on such date, the Stock is listed or quoted on a national or regional securities exchange or quotation system, the closing price of a share of Stock as quoted on the national or regional securities exchange or quotation system constituting the primary market for the Stock, as reported in *The Wall Street Journal* or such other source as the Company deems reliable. If the relevant date does not fall on a day on which the Stock has traded on such securities exchange or quotation system, the date on which the Fair Market Value is established shall be the last day on which the Stock was so traded or quoted prior to the relevant date, or such other appropriate day as determined by the Committee, in its discretion.

(ii) If, on the relevant date, the Stock is not then listed on a national or regional securities exchange or quotation system, the Fair Market Value of a share of Stock shall be as determined in good faith by the Committee.

(j) *"**Incumbent Director**"* means a director who either (i) is a member of the Board as of the Effective Date or (ii) is elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but excluding a director who was elected or nominated in connection with an actual or threatened proxy contest relating to the election of directors of the Company).

(k) *"**Non-United States Offering**"* means a separate Offering covering Eligible Employees of one or more Participating Companies whose Eligible Employees are subject to a prohibition under applicable law on payroll deductions, as described in Section 11.1(b).

(l) *"**Offering**"* means an offering of Stock pursuant to the Plan, as provided in Section 6.

(m) *"**Offering Date**"* means, for any Offering Period, the first day of such Offering Period.

(n) *"**Offering Period**"* means a period, established by the Committee in accordance with Section 6, during which an Offering is outstanding.

(o) *"**Officer**"* means any person designated by the Board as an officer of the Company.

(p) *"**Ownership Change Event**"* means the occurrence of any of the following with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of securities of the Company representing more than fifty percent (50%) of the total combined voting power of the Company's then outstanding securities entitled to vote generally in the election of Directors; (ii) a merger or consolidation in which the Company is a party; or (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company (other than a sale, exchange or transfer to one or more subsidiaries of the Company).

(q) *"**Parent Corporation**"* means any present or future "parent corporation" of the Company, as defined in Section 424(e) of the Code.

(r) *"**Participant**"* means an Eligible Employee who has become a participant in an Offering Period in accordance with Section 7 and remains a participant in accordance with the Plan.

(s) *"**Participating Company**"* means the Company and any Parent Corporation or Subsidiary Corporation designated by the Committee as a corporation the Employees of which may, if Eligible Employees, participate in the Plan. The Committee shall have the discretion to determine from time to time which Parent Corporations or Subsidiary Corporations shall be Participating Companies. The Committee shall designate from time to time and set forth in Appendix A to this Plan those Participating Companies whose Eligible Employees may participate in the Plan.

(t) *"**Participating Company Group**"* means, at any point in time, the Company and all other corporations collectively which are then Participating Companies.

(u) *"**Purchase Date**"* means, for any Offering Period, the last day of such Offering Period, or, if so determined by the Committee, the last day of each Purchase Period occurring within such Offering Period.

(v) *"**Purchase Period**"* means a period, established by the Committee in accordance with Section 6, included within an Offering Period and on the final date of which outstanding Purchase Rights are exercised.

(w) *"**Purchase Price**"* means the price at which a share of Stock may be purchased under the Plan, as determined in accordance with Section 9.

(x) *"**Purchase Right**"* means an option granted to a Participant pursuant to the Plan to purchase such shares of Stock as provided in Section 8, which the Participant may or may not exercise during the Offering Period in which such option is outstanding. Such option arises from the right of a Participant to withdraw any payroll deductions or other funds accumulated on behalf of the Participant and not previously applied to the purchase of Stock under the Plan, and to terminate participation in the Plan at any time during an Offering Period.

(y) *"**Securities Act**"* means the Securities Act of 1933, as amended.

(z) *"**Stock**"* means the common stock of Skyward Specialty Insurance Group, Inc., as adjusted from time to time in accordance with Section 4.3.

(aa) *"**Subscription Agreement**"* means a written or electronic agreement, in such form as specified by the Company, stating an Employee's election to participate in the Plan and authorizing payroll deductions under the Plan from the Employee's Compensation or other method of payment authorized by the Committee pursuant to Section 11.1(b).

(bb) *"**Subscription Date**"* means the last business day prior to the Offering Date of an Offering Period or such earlier date as the Company shall establish.

(cc) *"**Subsidiary Corporation**"* means any present or future "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code.

2.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

3. ADMINISTRATION.

3.1 **Administration by the Committee.** The Plan shall be administered by the Committee. All questions of interpretation of the Plan, of any form of agreement or other document employed by the Company in the administration of the Plan, or of any Purchase Right shall be determined by the Committee, and such determinations shall be final, binding and conclusive upon all persons having an interest in the Plan or the Purchase Right, unless fraudulent or made in bad faith. Subject to the provisions of the Plan, the Committee shall determine all of the relevant terms and conditions of Purchase Rights; provided, however, that all Participants granted Purchase Rights pursuant to an Offering shall have the same rights and privileges within the meaning of Section 423(b)(5) of the Code. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or any agreement thereunder (other than determining questions of interpretation pursuant to the second sentence of this Section 3.1) shall be final, binding and conclusive upon all persons having an interest therein. All expenses incurred in connection with the administration of the Plan shall be paid by the Company.

3.2 **Authority of Officers.** Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election that is the responsibility of or that is allocated to the Company herein, provided that the Officer has apparent authority with respect to such matter, right, obligation, determination or election.

3.3 **Power to Adopt Sub-Plans or Varying Terms with Respect to Non-U.S. Employees.** The Committee shall have the power, in its discretion, to adopt one or more sub-plans of the Plan as the Committee deems necessary or desirable to comply with the laws or regulations, tax policy, accounting principles or custom of foreign jurisdictions applicable to employees of a subsidiary business entity of the Company, provided that any such sub-plan shall not be within the scope of an "employee stock purchase plan" within the meaning of Section 423 of the Code. Any of the provisions of any such sub-plan may supersede the provisions of this Plan, other than Section 4. Except as superseded by the provisions of a sub-plan, the provisions of this Plan shall govern such sub-plan. Alternatively and in order to comply with the laws of a foreign jurisdiction, the Committee shall have the power, in its discretion, to grant Purchase Rights in an Offering to citizens or residents of a non-U.S. jurisdiction (without regard to whether they are also citizens of the United States or resident aliens) that provide terms which are less favorable than the terms of Purchase Rights granted under the same Offering to Employees resident in the United States.

3.4 **Power to Establish Separate Offerings with Varying Terms.** The Committee shall have the power, in its discretion, to establish separate, simultaneous or overlapping Offerings having different terms and conditions and to designate the Participating Company or Companies that may participate in a particular Offering, provided that each Offering shall individually comply with the terms of the Plan and the requirements of Section 423(b)(5) of the Code that all Participants granted Purchase Rights pursuant to such Offering shall have the same rights and privileges within the meaning of such section.

3.5 **Policies and Procedures Established by the Company.** Without regard to whether any Participant's Purchase Right may be considered adversely affected, the Company may, from time to time, consistent with the Plan and the requirements of Section 423 of the Code, establish, change or terminate such rules, guidelines, policies, procedures, limitations, or adjustments as deemed advisable by the Company, in its discretion, for the proper administration of the Plan, including, without limitation, (a) a minimum payroll deduction amount required for participation in an Offering, (b) a limitation on the frequency or number of changes permitted in the rate of payroll deduction during an Offering, (c) an exchange ratio applicable to amounts withheld or paid in a currency other than United States dollars, (d) a payroll deduction greater than or less than the amount designated by a Participant in order to adjust for the Company's delay or mistake in processing a Subscription Agreement or in otherwise effecting a Participant's election under the Plan or as advisable to comply with the requirements of Section 423 of the Code, and (e) determination of the date and manner by which the Fair Market Value of a share of Stock is determined for purposes of administration of the Plan. All such actions by the Company shall be taken consistent with the requirements under Section 423(b)(5) of the Code that all Participants granted Purchase Rights pursuant to an Offering shall have the same rights and privileges within the meaning of such section, except as otherwise permitted by Section 3.3 and the regulations under Section 423 of the Code.

3.6 **Indemnification.** In addition to such other rights of indemnification as they may have as members of the Board or the Committee or as officers or employees of the Participating Company Group, to the extent permitted by applicable law, members of the Board or the Committee and any officers or employees of the Participating Company Group to whom authority to act for the Board, the Committee or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

4. **SHARES SUBJECT TO PLAN.**

4.1 **Maximum Number of Shares Issuable.** Subject to adjustment as provided in Sections 4.2 and 4.3, the maximum aggregate number of shares of Stock that may be issued under the Plan shall be [●][1] and shall consist of authorized but unissued or reacquired shares of Stock, or any combination thereof. If an outstanding Purchase Right for any reason expires or is terminated or canceled, the shares of Stock allocable to the unexercised portion of that Purchase Right shall again be available for issuance under the Plan.

4.2 **Annual Increase in Maximum Number of Shares Issuable.** Subject to adjustment as provided in Section 4.3, the maximum aggregate number of shares of Stock that may be issued under the Plan as set forth in Section 4.1 shall be cumulatively increased on January 1, 2023 and on each subsequent January 1, through and including January 1, 2032, by a number of shares (the "Annual Increase") equal to the smallest of (a) one percent (1%) of the number of shares of Stock issued and outstanding on the immediately preceding December 31, (b) 214,500 shares, or (c) an amount determined by the Board.

[1] This number shall equal 1% of the issued and outstanding shares of Common Stock upon the completion of the Initial Public Offering (on a fully-diluted basis).

4.3 **Adjustments for Changes in Capital Structure.** Subject to any required action by the stockholders of the Company and the requirements of Section 424 of the Code to the extent applicable, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting regular, periodic cash dividends) that has a material effect on the Fair Market Value of shares of Stock, appropriate and proportionate adjustments shall be made in the number and kind of shares subject to the Plan, the Annual Increase, the limit on the shares which may be purchased by any Participant during an Offering (as described in Sections 8.1 and 8.2) and each Purchase Right, and in the Purchase Price in order to prevent dilution or enlargement of Participants' rights under the Plan. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." If a majority of the shares which are of the same class as the shares that are subject to outstanding Purchase Rights are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event) shares of another corporation (the *"**New Shares**"*), the Committee may unilaterally amend the outstanding Purchase Rights to provide that such Purchase Rights are for New Shares. In the event of any such amendment, the number of shares subject to, and the exercise price per share of, the outstanding Purchase Rights shall be adjusted in a fair and equitable manner as determined by the Committee, in its discretion. Any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number, and in no event may the Purchase Price be decreased to an amount less than the par value, if any, of the stock subject to the Purchase Right. The adjustments determined by the Committee pursuant to this Section 4.3 shall be final, binding and conclusive.

5. **ELIGIBILITY.**

5.1 **Employees Eligible to Participate.** Each Employee of a Participating Company is eligible to participate in the Plan and shall be deemed an Eligible Employee, except the following:

(a) Any Employee who is customarily employed by the Participating Company Group for twenty (20) hours or less per week; or

(b) Any Employee who is customarily employed by the Participating Company Group for not more than five (5) months in any calendar year.

5.2 **Exclusion of Certain Stockholders.** Notwithstanding any provision of the Plan to the contrary, no Employee shall be treated as an Eligible Employee and granted a Purchase Right under the Plan if, immediately after such grant, the Employee would own, or hold options to purchase, stock of the Company or of any Parent Corporation or Subsidiary Corporation possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of such corporation, as determined in accordance with Section 423(b)(3) of the Code. For purposes of this Section 5.2, the attribution rules of Section 424(d) of the Code shall apply in determining the stock ownership of such Employee.

5.3 **Determination by Company.** The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee or an Eligible Employee and the effective date of such individual's attainment or termination of such status, as the case may be. For purposes of an individual's participation in or other rights, if any, under the Plan as of the time of the Company's determination of whether or not the individual is an Employee, all such determinations by the Company shall be final, binding and conclusive as to such rights, if any, notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination as to such individual's status as an Employee.

6. **OFFERINGS.**

The Plan shall be implemented by sequential Offerings of approximately six (6) months' duration or such other duration as the Committee shall determine. Offering Periods shall commence on or about the first (1st) days of March and September of each year and end on or about the thirtieth last day of the next February and August respectively, occurring thereafter. Notwithstanding the foregoing, the Committee may establish additional or alternative concurrent, sequential or overlapping Offering Periods, a different duration for one or more Offering Periods or different commencing or ending dates for such Offering Periods; provided, however, that no Offering Period may have a duration exceeding twenty-seven (27) months. If the Committee shall so determine in its discretion, each Offering Period may consist of two (2) or more consecutive Purchase Periods having such duration as the Committee shall specify, and the last day of each such Purchase Period shall be a Purchase Date. If the first or last day of an Offering Period or a Purchase Period is not a day on which the principal stock exchange or quotation system on which the Stock is then listed is open for trading, the Company shall specify the trading day that will be deemed the first or last day, as the case may be, of the Offering Period or Purchase Period.

7. **PARTICIPATION IN THE PLAN.**

7.1 **Initial Participation.** An Eligible Employee may become a Participant in an Offering Period by delivering a properly completed written or electronic Subscription Agreement to the Company office or representative designated by the Company (including a third-party administrator designated by the Company) not later than the close of business on the Subscription Date established by the Company for that Offering Period. An Eligible Employee who does not deliver a properly completed Subscription Agreement in the manner permitted or required on or before the Subscription Date for an Offering Period shall not participate in the Plan for that Offering Period or for any subsequent Offering Period unless the Eligible Employee subsequently delivers a properly completed Subscription Agreement to the appropriate Company office or representative on or before the Subscription Date for such subsequent Offering Period. An Employee who becomes an Eligible Employee after the Offering Date of an Offering Period shall not be eligible to participate in that Offering Period but may participate in any subsequent Offering Period provided the Employee is still an Eligible Employee as of the Offering Date of such subsequent Offering Period.

7.2 **Continued Participation.** A Participant shall automatically participate in the next Offering Period commencing immediately after the final Purchase Date of each Offering Period in which the Participant participates provided that the Participant remains an Eligible Employee on the Offering Date of the new Offering Period and has not either (a) withdrawn from the Plan pursuant to Section 12.1, or (b) terminated employment or otherwise ceased to be an Eligible Employee as provided in Section 13. A Participant who may automatically participate in a subsequent Offering Period, as provided in this Section, is not required to deliver any additional Subscription Agreement for the subsequent Offering Period in order to continue participation in the Plan. However, a Participant may deliver a new Subscription Agreement for a subsequent Offering Period in accordance with the procedures set forth in Section 7.1 if the Participant desires to change any of the elections contained in the Participant's then effective Subscription Agreement.

8. **RIGHT TO PURCHASE SHARES.**

8.1 **Grant of Purchase Right.** Except as otherwise provided below, on the Offering Date of each Offering Period, each Participant in such Offering Period shall be granted automatically a Purchase Right consisting of an option to purchase the lesser of (a) that number of whole shares of Stock determined by dividing the Dollar Limit (determined as provided below) by the Fair Market Value of a share of Stock on such Offering Date or (b) the Share Limit (determined as provided below). The Committee may, in its discretion and prior to the Offering Date of any Offering Period, (i) change the method of, or any of the foregoing factors in, determining the number of shares of Stock subject to Purchase Rights to be granted on such Offering Date, or (ii) specify a maximum aggregate number of shares that may be purchased by all Participants in an Offering or on any Purchase Date within an Offering Period. No Purchase Right shall be granted on an Offering Date to any person who is not, on such Offering Date, an Eligible Employee. For the purposes of this Section, the *"**Dollar Limit**"* shall be determined by multiplying $2,083.33 by the number of months (rounded to the nearest whole month) in the Offering Period and rounding to the nearest whole dollar, and the *"**Share Limit**"* shall be determined by multiplying 300 shares by the number of months (rounded to the nearest whole month) in the Offering Period and rounding to the nearest whole share.

8.2 **Calendar Year Purchase Limitation.** Notwithstanding any provision of the Plan to the contrary, no Participant shall be granted a Purchase Right which permits his or her right to purchase shares of Stock under the Plan to accrue at a rate which, when aggregated with such Participant's rights to purchase shares under all other employee stock purchase plans of a Participating Company intended to meet the requirements of Section 423 of the Code, exceeds Twenty-Five Thousand Dollars ($25,000) in Fair Market Value (or such other limit, if any, as may be imposed by the Code) for each calendar year in which such Purchase Right is outstanding at any time. For purposes of the preceding sentence, the Fair Market Value of shares purchased during a given Offering Period shall be determined as of the Offering Date for such Offering Period. The limitation described in this Section shall be applied in conformance with Section 423(b)(8) of the Code and the regulations thereunder.

9. **PURCHASE PRICE.**

The Purchase Price at which each share of Stock may be acquired in an Offering Period upon the exercise of all or any portion of a Purchase Right shall be established by the Committee; provided, however, that the Purchase Price on each Purchase Date shall not be less than eighty-five percent (85%) of the lesser of (a) the Fair Market Value of a share of Stock on the Offering Date of the Offering Period or (b) the Fair Market Value of a share of Stock on the Purchase Date. Subject to adjustment as provided by the Plan and unless otherwise provided by the Committee, the Purchase Price for each Offering Period shall be eighty-five percent (85%) of the lesser of (a) the Fair Market Value of a share of Stock on the Offering Date of the Offering Period or (b) the Fair Market Value of a share of Stock on the Purchase Date.

10. **ACCUMULATION OF PURCHASE PRICE THROUGH PAYROLL DEDUCTION.**

Except as provided in Section 11.1(b) with respect to a Non-United States Offering, shares of Stock acquired pursuant to the exercise of all or any portion of a Purchase Right may be paid for only by means of payroll deductions from the Participant's Compensation accumulated during the Offering Period for which such Purchase Right was granted, subject to the following:

10.1 **Amount of Payroll Deductions.** Except as otherwise provided herein, the amount to be deducted under the Plan from a Participant's Compensation on each pay day during an Offering Period shall be determined by the Participant's Subscription Agreement. The Subscription Agreement shall set forth the percentage of the Participant's Compensation to be deducted on each pay day during an Offering Period in whole percentages of not less than one percent (1%) (except as a result of an election pursuant to Section 10.3 to stop payroll deductions effective following the first pay day during an Offering) or more than fifteen percent (15%). The Committee may change the foregoing limits on payroll deductions effective as of any Offering Date.

10.2 **Commencement of Payroll Deductions.** Payroll deductions shall commence on the first pay day following the Offering Date and shall continue to the end of the Offering Period unless sooner altered or terminated as provided herein.

10.3 **Election to Decrease or Stop Payroll Deductions.** During an Offering Period, a Participant may elect to decrease the rate of or to stop deductions from his or her Compensation by delivering to the Company office or representative designated by the Company (including a third-party administrator designated by the Company) an amended Subscription Agreement authorizing such change on or before the "Change Notice Date." The *"**Change Notice Date**"* shall be a date prior to the beginning of the first pay period for which such election is to be effective as established by the Company from time to time and announced to the Participants. A Participant who elects, effective following the first pay day of an Offering Period, to decrease the rate of his or her payroll deductions to zero percent (0%) shall nevertheless remain a Participant in such Offering Period unless the Participant withdraws from the Plan as provided in Section 12.1.

10.4 **Administrative Suspension of Payroll Deductions.** The Company may, in its discretion, suspend a Participant's payroll deductions under the Plan as the Company deems advisable to avoid accumulating payroll deductions in excess of the amount that could reasonably be anticipated to purchase the maximum number of shares of Stock permitted (a) under the Participant's Purchase Right or (b) during a calendar year under the limit set forth in Section 8.2. Unless the Participant has either withdrawn from the Plan as provided in Section 12.1 or has ceased to be an Eligible Employee, suspended payroll deductions shall be resumed at the rate specified in the Participant's then effective Subscription Agreement either (i) at the beginning of the next Offering Period if the reason for suspension was clause (a) in the preceding sentence, or (ii) at the beginning of the next Offering Period having a first Purchase Date that falls within the subsequent calendar year if the reason for suspension was clause (b) in the preceding sentence.

10.5 **Participant Accounts.** Individual bookkeeping accounts shall be maintained for each Participant. All payroll deductions from a Participant's Compensation (and other amounts received from a non-United States Participant pursuant to Section 11.1(b)) shall be credited to such Participant's Plan account and shall be deposited with the general funds of the Company. All such amounts received or held by the Company may be used by the Company for any corporate purpose.

10.6 **No Interest Paid.** Interest shall not be paid on sums deducted from a Participant's Compensation pursuant to the Plan or otherwise credited to the Participant's Plan account.

11. **PURCHASE OF SHARES.**

11.1 **Exercise of Purchase Right.**

(a) **Generally.** Except as provided in Section 11.1(b), on each Purchase Date of an Offering Period, each Participant who has not withdrawn from the Plan and whose participation in the Offering has not otherwise terminated before such Purchase Date shall automatically acquire pursuant to the exercise of the Participant's Purchase Right the number of whole shares of Stock determined by dividing (a) the total amount of the Participant's payroll deductions accumulated in the Participant's Plan account during the Offering Period and not previously applied toward the purchase of Stock by (b) the Purchase Price. However, in no event shall the number of shares purchased by the Participant during an Offering Period exceed the number of shares subject to the Participant's Purchase Right. No shares of Stock shall be purchased on a Purchase Date on behalf of a Participant whose participation in the Offering or the Plan has terminated before such Purchase Date.

(b) **Purchase by Non-United States Participants for Whom Payroll Deductions Are Prohibited by Applicable Law.** Notwithstanding Section 11.1(a), where payroll deductions on behalf of Participants who are citizens or residents of countries other than the United States (without regard to whether they are also citizens of the United States or resident aliens) are prohibited by applicable law, the Committee may establish a separate Offering (a *"**Non-United States Offering**"*) covering all Eligible Employees of one or more Participating Companies subject to such prohibition on payroll deductions. The Non-United States Offering shall provide another method for payment of the Purchase Price with such terms and conditions as shall be administratively convenient and comply with applicable law. On each Purchase Date of the Offering Period applicable to a Non-United States Offering, each Participant who has not withdrawn from the Plan and whose participation in such Offering Period has not otherwise terminated before such Purchase Date shall automatically acquire pursuant to the exercise of the Participant's Purchase Right a number of whole shares of Stock determined in accordance with Section 11.1(a) to the extent of the total amount of the Participant's Plan account balance accumulated during the Offering Period in accordance with the method established by the Committee and not previously applied toward the purchase of Stock. However, in no event shall the number of shares purchased by a Participant during such Offering Period exceed the number of shares subject to the Participant's Purchase Right. The Company shall refund to a Participant in a Non-United States Offering in accordance with Section 11.4 any excess Purchase Price payment received from such Participant.

11.2 **Pro Rata Allocation of Shares.** If the number of shares of Stock which might be purchased by all Participants on a Purchase Date exceeds the number of shares of Stock remaining available for issuance under the Plan or the maximum aggregate number of shares of Stock that may be purchased on such Purchase Date pursuant to a limit established by the Committee pursuant to Section 8.1, the Company shall make a pro rata allocation of the shares available in as uniform a manner as practicable and as the Company determines to be equitable. Any fractional share resulting from such pro rata allocation to any Participant shall be disregarded.

11.3 **Delivery of Title to Shares.** Subject to any governing rules or regulations, as soon as practicable after each Purchase Date, the Company shall issue or cause to be issued to or for the benefit of each Participant the shares of Stock acquired by the Participant on such Purchase Date by means of one or more of the following: (a) by delivering to the Participant evidence of book entry shares of Stock credited to the account of the Participant, (b) by depositing such shares of Stock for the benefit of the Participant with any broker with which the Participant has an account relationship, or (c) by delivering such shares of Stock to the Participant in certificate form.

11.4 **Return of Plan Account Balance.** Any cash balance remaining in a Participant's Plan account following any Purchase Date shall be refunded to the Participant as soon as practicable after such Purchase Date. However, if the cash balance to be returned to a Participant pursuant to the preceding sentence is less than the amount that would have been necessary to purchase an additional whole share of Stock on such Purchase Date, the Company may retain the cash balance in the Participant's Plan account to be applied toward the purchase of shares of Stock in the subsequent Purchase Period or Offering Period.

11.5 **Tax Withholding.** At the time a Participant's Purchase Right is exercised, in whole or in part, or at the time a Participant disposes of some or all of the shares of Stock he or she acquires under the Plan, the Participant shall make adequate provision for the federal, state, local and foreign taxes (including social insurance), if any, required to be withheld by any Participating Company upon exercise of the Purchase Right or upon such disposition of shares, respectively. A Participating Company may, but shall not be obligated to, withhold from the Participant's compensation the amount necessary to meet such withholding obligations.

11.6 **Expiration of Purchase Right.** Any portion of a Participant's Purchase Right remaining unexercised after the end of the Offering Period to which the Purchase Right relates shall expire immediately upon the end of the Offering Period.

11.7 **Provision of Reports and Stockholder Information to Participants.** Each Participant who has exercised all or part of his or her Purchase Right shall receive, as soon as practicable after the Purchase Date, a report of such Participant's Plan account setting forth the total amount credited to his or her Plan account prior to such exercise, the number of shares of Stock purchased, the Purchase Price for such shares, the date of purchase and the cash balance, if any, remaining immediately after such purchase that is to be refunded or retained in the Participant's Plan account pursuant to Section 11.4. The report required by this Section may be delivered in such form and by such means, including by electronic transmission, as the Company may determine. In addition, each Participant shall be provided information concerning the Company equivalent to that information provided generally to the Company's common stockholders.

12. **WITHDRAWAL FROM PLAN .**

12.1 **Voluntary Withdrawal from the Plan.** A Participant may withdraw from the Plan by signing and delivering to the Company office or representative designated by the Company (including a third-party administrator designated by the Company) a written or electronic notice of withdrawal on a form provided by the Company for this purpose. Such withdrawal may be elected at any time prior to the end of an Offering Period; provided, however, that if a Participant withdraws from the Plan after a Purchase Date, the withdrawal shall not affect shares of Stock acquired by the Participant on such Purchase Date. A Participant who voluntarily withdraws from the Plan is prohibited from resuming participation in the Plan in the same Offering from which he or she withdrew, but may participate in any subsequent Offering by again satisfying the requirements of Sections 5 and 7.1. The Company may impose, from time to time, a requirement that the notice of withdrawal from the Plan be on file with the Company office or representative designated by the Company for a reasonable period prior to the effectiveness of the Participant's withdrawal.

12.2 **Return of Plan Account Balance.** Upon a Participant's voluntary withdrawal from the Plan pursuant to Section 12.1, the Participant's accumulated Plan account balance which has not been applied toward the purchase of shares of Stock shall be refunded to the Participant as soon as practicable after the withdrawal, without the payment of any interest, and the Participant's interest in the Plan and the Offering shall terminate. Such amounts to be refunded in accordance with this Section may not be applied to any other Offering under the Plan.

13. **TERMINATION OF EMPLOYMENT OR ELIGIBILITY.**

Upon a Participant's ceasing, prior to a Purchase Date, to be an Employee of the Participating Company Group for any reason, including retirement, disability or death, or upon the failure of a Participant to remain an Eligible Employee, the Participant's participation in the Plan shall terminate immediately. In such event, the Participant's Plan account balance which has not been applied toward the purchase of shares of Stock shall, as soon as practicable, be returned to the Participant or, in the case of the Participant's death, to the Participant's beneficiary designated in accordance with Section 20, if any, or legal representative, and all of the Participant's rights under the Plan shall terminate. Interest shall not be paid on sums returned pursuant to this Section 13. A Participant whose participation has been so terminated may again become eligible to participate in the Plan by satisfying the requirements of Sections 5 and 7.1.

14. **EFFECT OF CHANGE IN CONTROL ON PURCHASE RIGHTS.**

In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or parent thereof, as the case may be (the *"**Acquiring Corporation**"*), may, without the consent of any Participant, assume or continue the Company's rights and obligations under outstanding Purchase Rights or substitute substantially equivalent purchase rights for the Acquiring Corporation's stock. If the Acquiring Corporation elects not to assume, continue or substitute for the outstanding Purchase Rights, the Purchase Date of the then current Offering Period shall be accelerated to a date before the date of the Change in Control specified by the Committee, but the number of shares of Stock subject to outstanding Purchase Rights shall not be adjusted. All Purchase Rights which are neither assumed or continued by the Acquiring Corporation in connection with the Change in Control nor exercised as of the date of the Change in Control shall terminate and cease to be outstanding effective as of the date of the Change in Control.

15. **NONTRANSFERABILITY OF PURCHASE RIGHTS.**

Neither payroll deductions or other amounts credited to a Participant's Plan account nor a Participant's Purchase Right may be assigned, transferred, pledged or otherwise disposed of in any manner other than as provided by the Plan or by will or the laws of descent and distribution. (A beneficiary designation pursuant to Section 20 shall not be treated as a disposition for this purpose.) Any such attempted assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw from the Plan as provided in Section 12.1. A Purchase Right shall be exercisable during the lifetime of the Participant only by the Participant.

16. **COMPLIANCE WITH SECURITIES LAW.**

The issuance of shares under the Plan shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities. A Purchase Right may not be exercised if the issuance of shares upon such exercise would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any securities exchange or market system upon which the Stock may then be listed. In addition, no Purchase Right may be exercised unless (a) a registration statement under the Securities Act shall at the time of exercise of the Purchase Right be in effect with respect to the shares issuable upon exercise of the Purchase Right, or (b) in the opinion of legal counsel to the Company, the shares issuable upon exercise of the Purchase Right may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares under the Plan shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the exercise of a Purchase Right, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation, and to make any representation or warranty with respect thereto as may be requested by the Company.

17. **RIGHTS AS A STOCKHOLDER AND EMPLOYEE.**

A Participant shall have no rights as a stockholder by virtue of the Participant's participation in the Plan until the date of the issuance of the shares of Stock purchased pursuant to the exercise of the Participant's Purchase Right (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such shares are issued, except as provided in Section 4.3. Nothing herein shall confer upon a Participant any right to continue in the employ of the Participating Company Group or interfere in any way with any right of the Participating Company Group to terminate the Participant's employment at any time.

18. **NOTIFICATION OF DISPOSITION OF SHARES.**

The Company may require the Participant to give the Company prompt notice of any disposition of shares of Stock acquired by exercise of a Purchase Right. The Company may require that until such time as a Participant disposes of shares of Stock acquired upon exercise of a Purchase Right, the Participant shall hold all such shares in the Participant's name until the later of two years after the date of grant of such Purchase Right or one year after the date of exercise of such Purchase Right. The Company may direct that the certificates evidencing shares of Stock acquired by exercise of a Purchase Right refer to such requirement to give prompt notice of disposition.

19. **LEGENDS.**

The Company may at any time place legends or other identifying symbols referencing any applicable federal, state or foreign securities law restrictions or any provision convenient in the administration of the Plan on some or all of the certificates representing shares of Stock issued under the Plan. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to a Purchase Right in the possession of the Participant in order to carry out the provisions of this Section. Unless otherwise specified by the Company, legends placed on such certificates may include but shall not be limited to the following:

"THE SHARES EVIDENCED BY THIS CERTIFICATE WERE ISSUED BY THE CORPORATION TO THE REGISTERED HOLDER UPON THE PURCHASE OF SHARES UNDER AN EMPLOYEE STOCK PURCHASE PLAN AS DEFINED IN SECTION 423 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED. THE TRANSFER AGENT FOR THE SHARES EVIDENCED HEREBY SHALL NOTIFY THE CORPORATION IMMEDIATELY OF ANY TRANSFER OF THE SHARES BY THE REGISTERED HOLDER HEREOF. THE REGISTERED HOLDER SHALL HOLD ALL SHARES PURCHASED UNDER THE PLAN IN THE REGISTERED HOLDER'S NAME (AND NOT IN THE NAME OF ANY NOMINEE)."

20. **DESIGNATION OF BENEFICIARY.**

20.1 **Designation Procedure.** Subject to local laws and procedures, a Participant may file a written designation of a beneficiary who is to receive (a) shares and cash, if any, from the Participant's Plan account if the Participant dies subsequent to a Purchase Date but prior to delivery to the Participant of such shares and cash, or (b) cash, if any, from the Participant's Plan account if the Participant dies prior to the exercise of the Participant's Purchase Right. If a married Participant designates a beneficiary other than the Participant's spouse, the effectiveness of such designation may be subject to the consent of the Participant's spouse. A Participant may change his or her beneficiary designation at any time by written notice to the Company.

20.2 **Absence of Beneficiary Designation.** If a Participant dies without an effective designation pursuant to Section 20.1 of a beneficiary who is living at the time of the Participant's death, the Company shall deliver any shares or cash credited to the Participant's Plan account to the Participant's legal representative or as otherwise required by applicable law.

21. **NOTICES.**

All notices or other communications by a Participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

22. **AMENDMENT OR TERMINATION OF THE PLAN.**

The Committee may at any time amend, suspend or terminate the Plan, except that (a) no such amendment, suspension or termination shall affect Purchase Rights previously granted under the Plan unless expressly provided by the Committee, and (b) no such amendment, suspension or termination may adversely affect a Purchase Right previously granted under the Plan without the consent of the Participant, except to the extent permitted by the Plan or as may be necessary to qualify the Plan as an employee stock purchase plan pursuant to Section 423 of the Code or to comply with any applicable law, regulation or rule. In addition, an amendment to the Plan must be approved by the stockholders of the Company within twelve (12) months of the adoption of such amendment if such amendment would authorize the sale of more shares than are then authorized for issuance under the Plan or would change the definition of the corporations that may be designated by the Committee as Participating Companies. Notwithstanding the foregoing, in the event that the Committee determines that continuation of the Plan or an Offering would result in unfavorable financial accounting consequences to the Company, the Committee may, in its discretion and without the consent of any Participant, including with respect to an Offering Period then in progress: (i) terminate the Plan or any Offering Period, (ii) accelerate the Purchase Date of any Offering Period, (iii) reduce the discount or the method of determining the Purchase Price in any Offering Period (e.g., by determining the Purchase Price solely on the basis of the Fair Market Value on the Purchase Date), (iv) reduce the maximum number of shares of Stock that may be purchased in any Offering Period, or (v) take any combination of the foregoing actions.

IN WITNESS WHEREOF, the undersigned Secretary of the Company certifies that the foregoing sets forth the Skyward Specialty Insurance Group, Inc. 2022 Employee Stock Purchase Plan as duly adopted by the Board on September 23, 2022.

SKYWARD SPECIALTY INSURANCE GROUP, INC.

_____, Secretary

APPENDIX A

Participating Companies

Skyward Specialty Insurance Group, Inc.
Skyward Service Company
Skyward Underwriters Agency, Inc.

APPENDIX B

FORMS OF

ENROLLMENT/CHANGE NOTICE/WITHDRAWAL FORM
AND
SUBSCRIPTION AGREEMENT

Exhibit 10.6

SKYWARD SPECIALTY INSURANCE GROUP, INC.

INDEMNIFICATION AGREEMENT

This Indemnification Agreement, dated [_____], 2021, is made between Skyward Specialty Insurance Group, Inc., a Delaware corporation (the "***Company***"), and [_____] (the "***Indemnitee***").

RECITALS

WHEREAS, the Company desires to attract and retain the services of talented and experienced individuals, such as Indemnitee, to serve as directors and officers of the Company and its subsidiaries and wishes to indemnify its directors and officers to the maximum extent permitted by law;

WHEREAS, the Company and Indemnitee recognize that corporate litigation in general has subjected directors and officers to expensive litigation risks;

WHEREAS, Section 145 ("***Section 145***") of the General Corporation Law of the State of Delaware, as amended ("***DGCL***"), under which the Company is organized, empowers the Company to indemnify its directors and officers by agreement and to indemnify persons who serve, at the request of the Company, as the directors and officers of other corporations or enterprises, and expressly provides that the indemnification provided by Section 145 is not exclusive;

WHEREAS, Section 145(g) of the DGCL allows for the purchase of director and officer ("***D&O***") liability insurance by the Company, which in theory can cover asserted liabilities without regard to whether they are indemnifiable by the Company or not;

WHEREAS, individuals considering service or presently serving expect to be extended market terms of indemnification commensurate with their position, and that entities such as Company will endeavor to maintain appropriate D&O insurance; and

WHEREAS, in order to induce Indemnitee to serve or continue to serve as a director or officer of the Company and/or one or more subsidiaries of the Company, or otherwise serve the Company in an indemnifiable capacity as set forth below, the Company and Indemnitee enter into this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants made herein and other good and valuable consideration, the receipt and sufficiency of which are mutually acknowledged, Indemnitee and the Company agree as follows:

1. Definitions. As used in this Agreement:

(a) "***Agent***" means any person who is or was a director, officer, employee or other agent of the Company or a subsidiary of the Company; or is or was serving at the request of, for the convenience of, or to represent the interests of the Company or a subsidiary of the Company as a director, officer, employee, fiduciary, or agent of another foreign or domestic corporation, limited liability company, employee benefit plan, nonprofit entity, partnership, joint venture, trust or other enterprise; or was a director, officer, employee, fiduciary, or agent of a foreign or domestic corporation which was a predecessor corporation of the Company or a subsidiary of the Company, or was a director, officer, employee, fiduciary, or agent of another enterprise at the request of, for the convenience of, or to represent the interests of such predecessor corporation.

(b) "***Board***" means the Board of Directors of the Company.

(c) "***Change in Control***" shall be deemed to have occurred if (i) any "person," as such term is used in Sections 13(d) and 14(d) of the Exchange Act, other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing a majority of the total voting power represented by the Company's then outstanding voting securities, (ii) during any period of two (2) consecutive years, individuals who at the beginning of such period constituted the Board, together with any new directors whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination was previously so approved, cease for any reason to constitute a majority of the Board, (iii) the stockholders of the Company approve a merger or consolidation or a sale of all or substantially all of the Company's assets with or to another entity, other than a merger, consolidation or asset sale that would result in the holders of the Company's outstanding voting securities immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least a majority of the total voting power represented by the voting securities of the Company or such surviving or successor entity outstanding immediately thereafter, or (iv) the stockholders of the Company approve a plan of complete liquidation of the Company.

(d) "***ERISA***" means Employee Retirement Income Security Act of 1974, as amended.

(e) "***Exchange Act***" means Securities Exchange Act of 1934, as amended.

(f) "***Expenses***" shall include all out-of-pocket costs of any type or nature whatsoever (including, without limitation, all attorneys' fees and related costs and disbursements), actually and reasonably incurred by Indemnitee in connection with either the investigation, defense, or appeal of a Proceeding, or establishing or enforcing a right to indemnification under this Agreement, or Section 145 or otherwise; *provided, however*, that "***Expenses***" shall not include any judgments, fines, ERISA excise taxes or penalties, or amounts paid in settlement of a Proceeding.

(g) "***Final Adjudication***" and ***"finally adjudged"*** means a final judgment or other binding determination from which there is no further procedural recourse, including without limitation following exhaustion or expiration of all available appeals.

(h) "***Independent Counsel***" means a law firm, or a partner (or, if applicable, member) of such a law firm, that is experienced in relevant matters of corporation law and neither currently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party or (ii) any other party to or witness in the proceeding giving rise to a claim for indemnification hereunder; *provided however,* that "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. Where required by this Agreement, Independent Counsel shall be retained at the Company's sole expense.

(i) "***Proceeding***" means any threatened, pending, or completed action, claim, demand, discovery request, subpoena, hearing, suit, arbitration, alternate dispute resolution mechanism, investigation, administrative hearing, or any other proceeding whether formal or informal, civil, criminal, administrative, or investigative, including any such investigation or proceeding instituted by or on behalf of the Company or its Board of Directors, including any appeal of the foregoing, in which Indemnitee is or reasonably may be involved as a party or target, that is associated with Indemnitee's being an Agent of the Company.

(j) "***Securities Act***" means the Securities Act of 1933, as amended.

(k) "***Subsidiary***" means any corporation of which more than 50% of the outstanding voting securities is owned directly or indirectly by the Company, by the Company and/or one or more other subsidiaries.

2. Agreement to Serve. Indemnitee agrees to serve and/or continue to serve as an Agent of the Company, at its will (or under separate agreement, if such agreement exists), in the capacity Indemnitee currently serves as an Agent of the Company, so long as Indemnitee is duly appointed or elected and qualified in accordance with the applicable provisions of the Bylaws of the Company ("***Bylaws***") or any subsidiary of the Company or until such time as Indemnitee tenders his or her resignation in writing; *provided, however*, that nothing contained in this Agreement is intended to create any right to continued employment or other service by Indemnitee.

3. Liability Insurance.

(a) Maintenance of D&O Insurance. The Company covenants and agrees that, so long as Indemnitee shall continue to serve as an Agent of the Company and thereafter so long as Indemnitee shall be subject to any possible Proceeding by reason of the fact that Indemnitee was an Agent of the Company, the Company, subject to Section 3(c), shall promptly obtain and maintain in full force and effect directors' and officers' liability insurance ("***D&O Insurance***") in reasonable amounts from established and reputable insurers of a minimum A.M. Best rating of A-VII, and as more fully described below. In the event of a Change in Control, the Company shall, as set forth in Section 3(c), either: (i) maintain such D&O Insurance for six (6) years; or (ii) purchase a six (6) year tail for such D&O Insurance.

(b) Rights and Benefits. In all policies of D&O Insurance, Indemnitee shall qualify as an insured in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's Agents of the same standing as Indemnitee.

(c) Limitation on Required Maintenance of D&O Insurance. Notwithstanding the foregoing, the Company shall have no obligation to obtain or maintain D&O Insurance at all, or of any type, terms, or amount, if the Company determines in good faith and after using commercially reasonable efforts that: such insurance is not reasonably available; the premium costs for such insurance are disproportionate to the amount of coverage provided; the coverage provided by such insurance is limited so as to provide an insufficient or unreasonable benefit; Indemnitee is covered by similar insurance maintained by a subsidiary of the Company; or the Company is to be acquired and a tail policy of reasonable terms and duration can be purchased for pre-closing acts or omissions by Indemnitee.

4. Mandatory Indemnification. Subject to the terms of this Agreement:

(a) Third Party Actions. If Indemnitee is a person who was or is a party or is threatened to be made a party to any Proceeding (other than an action by or in the right of the Company) by reason of the fact that Indemnitee is or was an Agent of the Company, or by reason of anything done or not done by Indemnitee in any such capacity, the Company shall indemnify Indemnitee against all Expenses and liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes and penalties, and amounts paid in settlement) actually and reasonably incurred by Indemnitee in connection with the investigation, defense, settlement or appeal of such Proceeding; *provided* that Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or Proceeding, had no reasonable cause to believe his or her conduct was unlawful.

(b) Derivative Actions. If Indemnitee is a person who was or is a party or is threatened to be made a party to any Proceeding by or in the right of the Company by reason of the fact that Indemnitee is or was an Agent of the Company, or by reason of anything done or not done by Indemnitee in any such capacity, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by Indemnitee in connection with the investigation, defense, settlement or appeal of such Proceeding; *provided* that Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company; except that no indemnification under this Section 4(b) shall be made in respect to any claim, issue or matter as to which Indemnitee shall have been finally adjudged to be liable to the Company by a court of competent jurisdiction that the Indemnitee is liable to the Company, unless and only to the extent that the Delaware Court of Chancery or the court in which such Proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such amounts which the Delaware Court of Chancery or such other court shall deem proper.

(c) Actions where Indemnitee is Deceased. If Indemnitee is a person who was or is a party or is threatened to be made a party to any Proceeding by reason of the fact that Indemnitee is or was an Agent of the Company, or by reason of anything done or not done by Indemnitee in any such capacity, and if, prior to, during the pendency of or after completion of such Proceeding Indemnitee is deceased, the Company shall indemnify Indemnitee's heirs, executors and administrators against all Expenses and liabilities of any type whatsoever to the extent Indemnitee would have been entitled to indemnification pursuant to this Agreement were Indemnitee still alive.

(d) Certain Terminations. The termination of any Proceeding or of any claim, issue, or matter therein by judgment, order, settlement, or conviction, or upon a plea of *nolo contendere* or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal action or Proceeding, that Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful.

(e) Limitations. Notwithstanding the foregoing provisions of Sections 4(a), 4(b), 4(c) and 4(d), but subject to the exception set forth in Section 13 which shall control, the Company shall not be obligated to indemnify the Indemnitee for Expenses or liabilities of any type whatsoever for which payment (and the Company's indemnification obligations under this Agreement shall be reduced by such payment) is actually made to or on behalf of Indemnitee, by the Company or otherwise, under a corporate insurance policy, or under a valid and enforceable indemnity clause, right, by-law, or agreement; and, in the event the Company has previously made a payment to Indemnitee for an Expense or liability of any type whatsoever for which payment is actually made to or on behalf of the Indemnitee from any such source, Indemnitee shall return to the Company the amounts subsequently received by the Indemnitee that source.

(f) Witness. In the event that Indemnitee is not a party or threatened to be made a party to a Proceeding, but is subpoenaed (or given a written request to be interviewed by or provide documents or information to a government authority of any jurisdiction) in such a Proceeding by reason of the fact that the Indemnitee is or was an Agent of the Company, or by reason of anything witnessed or allegedly witnessed by the Indemnitee in that capacity, the Company shall indemnify the Indemnitee against all actually and reasonably incurred out of pocket costs (including without limitation legal fees) incurred by the Indemnitee in responding to such subpoena or written request for an interview. As a condition to this right, Indemnitee must provide notice of such subpoena or request to the Company within 14 days, otherwise the Company's obligation to pay such costs shall only attach for costs incurred from the date of notice.

5. Indemnification for Expenses in a Proceeding in Which Indemnitee is Wholly or Partly Successful.

(a) Successful Defense. Notwithstanding any other provisions of this Agreement, to the extent Indemnitee has been successful, on the merits or otherwise, in defense of any Proceeding (including, without limitation, an action by or in the right of the Company) in which Indemnitee was a party by reason of the fact that Indemnitee is or was an Agent of the Company at any time, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by or on behalf of Indemnitee in connection with the investigation, defense or appeal of such Proceeding.

(b) Partially Successful Defense. Notwithstanding any other provisions of this Agreement, to the extent that Indemnitee is a party to any Proceeding (including, without limitation, an action by or in the right of the Company) in which Indemnitee was a party by reason of the fact that Indemnitee is or was an Agent of the Company at any time and is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by or on behalf of Indemnitee in connection with each successfully resolved claim, issue or matter.

(c) Dismissal. For purposes of this section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

(d) Contribution. If the indemnification provided in this Agreement is unavailable and may not be paid to Indemnitee, then to the extent allowed by law, in respect of any threatened, pending or completed Proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such Proceeding), the Company shall contribute to the amount of expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by Indemnitee in such proportion as is appropriate to reflect (i) the relative benefits received by the Company on the one hand and Indemnitee on the other hand from the transaction from which such Proceeding arose, and (ii) the relative fault of Company on the one hand and of Indemnitee on the other in connection with the events which resulted in such expenses, judgments, fines or settlement amounts, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of Indemnitee on the other shall be determined by reference to, among other things, the parties' relative intent, knowledge, access to information, active or passive conduct, and opportunity to correct or prevent the circumstances resulting in such expenses, judgments, fines or settlement amounts. The Company agrees that it would not be just and equitable if contribution pursuant to this section were determined by pro rata allocation or any other method of allocation which does not take account of the foregoing equitable considerations.

(e) Settlements by Company. The Company may not settle any claim held by Indemnitee without express written consent of Indemnitee, which may be given or withheld in Indemnitee's sole discretion.

6. Mandatory Advancement of Expenses.

(a) Subject to the terms of this Agreement and following notice pursuant to Section 7(a) below, the Company shall advance, interest free, all Expenses reasonably incurred by Indemnitee in connection with the investigation, defense, settlement or appeal of any Proceeding to which Indemnitee is a party or is threatened to be made a party by reason of the fact that Indemnitee is or was an Agent of the Company (unless there has been a Final Adjudication such that Indemnitee is not entitled to indemnification for such Expenses) upon receipt satisfactory documentation supporting such Expenses. Such advances are intended to be an obligation of the Company to Indemnitee hereunder and shall in no event be deemed to be a personal loan. Such advancement of Expenses shall otherwise be unsecured and without regard to Indemnitee's ability to repay. The advances to be made hereunder shall be paid by the Company to Indemnitee within 30 days following delivery of a written request therefore by Indemnitee to the Company, along with such documentation and information as is reasonably available to the Indemnitee and is reasonably necessary to determine whether and to what extent the claimant is entitled to advancement (which shall include without limitation reasonably detailed invoices for legal services, but with disclosure of confidential work product not required if that would work a waiver of privilege as to an adverse party). The Company shall discharge its advancement duty by, at its option, (a) paying such Expenses on behalf of Indemnitee, (b) advancing to Indemnitee funds in an amount sufficient to pay such Expenses, or (c) reimbursing Indemnitee for Expenses already paid by Indemnitee. In the event that the Company fails to pay Expenses as incurred by Indemnitee as required by this paragraph, Indemnitee may seek mandatory injunctive relief (including without limitation specific performance) from any court having jurisdiction to require the Company to pay Expenses as set forth in this paragraph. If Indemnitee seeks mandatory injunctive relief pursuant to this paragraph, it shall not be a defense to enforcement of the Company's obligations set forth in this paragraph that Indemnitee has an adequate remedy at law for damages.

(b) Undertakings. Indemnitee shall qualify for advances upon the execution and delivery to the Company of this Agreement, which constitutes an undertaking whereby Indemnitee promises to repay any amounts advanced if and to the extent that it shall ultimately be determined that Indemnitee is not entitled to indemnification by the Company.

7. Notice and Other Indemnification Procedures.

(a) Notice by Indemnitee. Promptly after receipt by Indemnitee of notice of the commencement of or the threat of commencement of any Proceeding, Indemnitee shall, if Indemnitee believes that indemnification with respect thereto may be sought from the Company under this Agreement, notify the Company in writing of the commencement or threat of commencement thereof *provided*, *however*, that a delay in giving such notice will not deprive Indemnitee of any right to be indemnified under this Agreement unless, and then only to the extent that, the Company did not otherwise learn of the Proceeding and such delay is materially prejudicial to the Company; *provided*, *further*, that notice will be deemed to have been given without any action on the part of Indemnitee in the event the Company is a party to the same Proceeding and already has notice of all the matters for which Indemnitee is demanding indemnification and advancement.

(b) Insurance. If the Company receives notice pursuant to Section 7(a) of the commencement of a Proceeding that may be covered under D&O Insurance then in effect, the Company shall give prompt notice of the commencement of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies.

(c) Defense. In the event the Company shall be obligated to pay the Expenses of any Proceeding against Indemnitee, the Company shall be entitled to assume the defense of such Proceeding, with counsel selected by the Company and approved by Indemnitee (which approval shall not be unreasonably withheld), upon the delivery to Indemnitee of written notice of the Company's election so to do. After delivery of such notice, and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same Proceeding; *provided* that (i) Indemnitee shall have the right to employ his or her own counsel in any such Proceeding at Indemnitee's expense; and (ii) Indemnitee shall have the right to employ his or her own counsel in any such Proceeding at the Company's expense if (A) the Company has authorized the employment of counsel by Indemnitee at the expense of the Company; (B) Indemnitee shall have reasonably concluded based on the written advice of Indemnitee's legal counsel that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense; or (C) the Company shall not, in fact, have employed counsel to assume the defense of such Proceeding. In addition to all the requirements above, if the Company has D&O Insurance, or other insurance, with a panel counsel requirement that may cover the matter for which indemnity is claimed by Indemnitee, then Indemnitee shall use such panel counsel or other counsel approved by the insurers, unless there is an actual conflict of interest posed by representation by all such counsel, or unless and to the extent Company waives such requirement in writing. Indemnitee and his or her counsel shall provide reasonable cooperation with such insurer on request of the Company.

8. Right to Indemnification.

(a) Right to Indemnification. In the event that Section 5(a) is inapplicable, the Company shall indemnify Indemnitee pursuant to this Agreement unless, and except to the extent that, it shall have been determined by one of the methods listed in Section 8(b) that Indemnitee has not met the applicable standard of conduct required to entitle Indemnitee to such indemnification.

(b) Determination of Right to Indemnification. A determination of Indemnitee's right to indemnification under this Section 8 shall be made at the election: (i) by a majority vote of directors who are not parties to the Proceeding for which indemnification is being sought, even though less than a quorum; (ii) by a committee of the Board consisting of directors who are not parties to the Proceeding for which indemnification is being sought, who, even though less than a quorum, have been designated by a majority vote of the disinterested directors; (iii) if there are no such disinterested directors or if the disinterested directors so direct, by Independent Counsel chosen by the Company in a written opinion to the Board, a copy of which shall be delivered to Indemnitee; or (iv) by the Company's stockholders. However, in the event there has been a Change in Control, then the determination shall, at Indemnitee's sole option, be made by Independent Counsel as in (b)(iii) above, with Company choosing the Independent Counsel subject to Indemnitee's consent, such consent not to be unreasonably withheld.

(c) Submission for Decision. As soon as practicable, and in no event later than 30 days after Indemnitee's written request for indemnification, the Board shall select the method for determining Indemnitee's right to indemnification. Indemnitee shall cooperate with the person or persons or entity making such determination with respect to Indemnitee's right to indemnification, including providing to such person, persons or entity, upon reasonable advance request, any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any Independent Counsel or member of the Board shall act reasonably and in good faith in making a determination regarding Indemnitee's entitlement to indemnification under this Agreement.

(d) Application to Court. If (i) a claim for indemnification or advancement of Expenses is denied, in whole or in part, (ii) no disposition of such claim is made by the Company within 60 days after the request therefore, (iii) the advancement of Expenses is not timely made pursuant to Section 6 of this Agreement or (iv) payment of indemnification is not made pursuant to Section 5 of this Agreement, Indemnitee shall have the right at his or her option to apply to the Delaware Court of Chancery, the court in which the Proceeding is or was pending, or any other court of competent jurisdiction, for the purpose of enforcing Indemnitee's right to indemnification (including the advancement of Expenses) pursuant to this Agreement. Upon written request by Indemnitee, the Company shall consent to service of process.

(e) Expenses Related to the Enforcement or Interpretation of this Agreement. The Company shall indemnify Indemnitee against all reasonable Expenses incurred by Indemnitee in connection with any hearing or proceeding under this Section 8 involving Indemnitee, and against all reasonable Expenses incurred by Indemnitee in connection with any other proceeding between the Company and Indemnitee to the extent involving the interpretation or enforcement of the rights of Indemnitee under this Agreement, if and to the extent Indemnitee is successful.

(f) Determination of Final Adjudication. In no event shall Indemnitee's right to indemnification (apart from advancement of Expenses) be determined prior to a Final Adjudication in a Proceeding at issue if the Proceeding is both ongoing, and of the nature to have a Final Adjudication, unless a Final Adjudication in another Proceeding establishes that Indemnitee is not entitled to indemnification in the first Proceeding

(g) Standard. In any proceeding to determine Indemnitee's right to indemnification or advancement, Indemnitee shall be presumed to be entitled to indemnification or advancement, with the burden of proof on the Company to prove, by a preponderance of the evidence (or higher standard if required by relevant law) that Indemnitee is not so entitled.

(h) Good Faith. Indemnitee shall be fully indemnified for those matters where, in the performance of his or her duties for the Company, he or she relied in good faith upon the records of the Company and upon such information, opinions, reports or statements presented to the Company by any of the Company's officers or employees, or committees of the board of directors, or by any other person as to matters Indemnitee reasonably believed were within such other person's professional or expert competence and who was selected with reasonable care by or on behalf of the Company.

9. Exceptions. To the extent that there is any conflict or inconsistency between this Section 9 and any other provision of this Agreement, this Section 9 shall control and govern. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated to indemnify, advance Expenses, or otherwise have any obligation to Indemnitee, for any of the following:

(a) Claims Initiated by Indemnitee. Proceedings or claims initiated or brought voluntarily by Indemnitee (including cross actions), with a reasonable allocation where appropriate, unless (i) such indemnification is expressly required to be made by law, (ii) the Proceeding was authorized by the Board, (iii) such indemnification is provided by the Company, in its sole discretion, pursuant to the powers vested in the Company under the DGCL or (iv) the Proceeding is brought pursuant to Section 8 specifically to establish or enforce a right to indemnification under this Agreement or any other statute or law or otherwise as required under Section 145 in advance of a Final Adjudication, in which case Section 8(e) provision shall control. For clarity, the raising of defenses by the Company by way of argument or affirmative defenses in an Indemnitee-initiated Proceeding against the Company shall not themselves be deemed to be a Proceeding.

(b) Fees on Fees. Any Proceeding instituted by Indemnitee to enforce or interpret this Agreement, to the extent Indemnitee is not successful in such a Proceeding.

(c) Unauthorized Settlements. Any amounts paid in settlement of a Proceeding unless the Company consents to such settlement, which consent shall not be unreasonably withheld.

(d) Claims Under Section 16(b). Any Proceeding related to, or the payment of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act, or similar provisions of state statutory law or common law (provided, however, that the Company must advance Expenses for such matters as otherwise permissible under this Agreement).

(e) Payments Contrary to Law. Payments which are prohibited by applicable law.

(f) Required Reimbursement. Reimbursement of the Company by Indemnitee of any compensation, including bonus or other incentive-based or equity-based compensation or of any profits realized by Indemnitee from the sale of securities of the Company, as required in each case under the Securities Act or the Exchange Act (including without limitation reimbursements that (i) arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002, as amended ("***Sarbanes-Oxley***") or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of Sarbanes-Oxley, (ii) arise pursuant to regulations or policies adopted in compliance with Section 954 of the Investor Protection and Securities Reform Act of 2010, as amended).

(g) Illegal Activity. Any illegal activities as determined by a special committee of the Board, following an investigation by Independent Counsel chosen by the Board. For clarity, to the extent there is any conflict or inconsistency between this Subsection 9(g) and Section 8, this Subsection 9(g) will prevail. In its sole discretion, the special committee may instead elect at any time to make a determination of Indemnitee's right to indemnification under Section 8.

10. Non-Exclusivity. The provisions for indemnification and advancement of Expenses set forth in this Agreement shall not be deemed exclusive of any other rights which Indemnitee may have under any provision of law, the Company's Certificate of Incorporation or Bylaws, the vote of the Company's stockholders or disinterested directors, other agreements, or otherwise, both as to action in Indemnitee's official capacity and as to action in another capacity while occupying Indemnitee's position as an Agent of the Company. Indemnitee's rights hereunder shall continue after Indemnitee has ceased acting as an Agent of the Company and shall inure to the benefit of the heirs, executors and administrators of Indemnitee. This Agreement shall supersede all prior indemnification agreements with the Company; *provided*, Indemnitee is entitled to any advancement or indemnification rights (pursuant to the Company's Certificate of Incorporation, Bylaws, a prior indemnification agreement, or other agreement) in effect at the time of Indemnitee's service that is at issue in the matter potentially subject to indemnification, to the extent such rights are more favorable to Indemnitee than those granted herein.

11. Permitted Defenses. It shall be a defense to any action for which a claim for indemnification is made under this Agreement (other than an action brought to enforce a claim for Expenses pursuant to Section 6; *provided* that the required documents have been tendered to the Company) that Indemnitee is not entitled to indemnification because of the limitations set forth in Sections 4 and 9 . Neither the failure of the Company or an Independent Counsel to have made a determination prior to the commencement of such enforcement action that indemnification of Indemnitee is proper in the circumstances, nor an actual determination by the Company or an Independent Counsel that such indemnification is improper, shall be a defense to the action or create a presumption that Indemnitee is not entitled to indemnification under this Agreement or otherwise. In making any determination concerning Indemnitee's right to indemnification, there shall be a presumption that Indemnitee has satisfied the applicable standard of conduct. Any determination by the Company concerning Indemnitee's right to indemnification that is adverse to Indemnitee may be challenged by the Indemnitee in the Court of Chancery of the State of Delaware.

12. Subrogation. Subject to the limitations of Section 13, in the event the Company is obligated to make a payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all documents reasonably required and take all action that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights (provided that the Company pays Indemnitee's costs and expenses of doing so), including without limitation by assigning all such rights to the Company or its designee to the extent of such indemnification or advancement of Expenses. Subject to the limitations of Section 13, the Company's obligation to indemnify or advance expenses under this Agreement shall be reduced by any amount Indemnitee has collected from such other source, and in the event that Company has fully paid such indemnity or expenses, Indemnitee shall return to the Company any amounts subsequently received from such other source of indemnification.

13. Primacy of Indemnification. The Company acknowledges that Indemnitee may have certain rights to indemnification, advancement of expenses, or liability insurance, neither procured or provided by the Company (including for this section any parent, affiliate, subsidiary, investment vehicle, or joint venture of the Company) nor any entity Indemnitee served or is serving at the direction of the Company, from a third party (collectively, the "***Third Party Indemnitors***"). The Company agrees that (i) it is the indemnitor of first resort, *i.e.*, its obligations to Indemnitee under this Agreement and any indemnity provisions set forth in its Certificate of Incorporation, Bylaws or elsewhere (collectively, "***Indemnity Arrangements***") are primary, and any obligation of the Third Party Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by Indemnitee is secondary and excess, (ii) it shall advance the full amount of expenses incurred by Indemnitee and shall be liable for the full amount of all expenses, judgments, penalties, fines and amounts paid in settlement by or on behalf of Indemnitee, to the extent legally permitted and as required by any Indemnity Arrangement, without regard to any rights Indemnitee may have against the Third Party Indemnitors, and (iii) it irrevocably waives, relinquishes and releases the Third Party Indemnitors from any claims against the Third Party Indemnitors for contribution, subrogation or any other recovery of any kind arising out of or relating to any Indemnity Arrangement. The Company further agrees that no advancement or indemnification payment by any Third Party Indemnitor on behalf of Indemnitee shall affect the foregoing, and the Third Party Indemnitors shall be subrogated to the extent of such advancement or payment to all of the rights of recovery of Indemnitee against the Company. The Company and Indemnitee agree that the Third Party Indemnitors are express third party beneficiaries of the terms of this Section 13. The Company, on its own behalf and on behalf of its insurers to the extent allowed by its insurance policies, waives subrogation rights against Indemnitee and Third Party Indemnitors.

14. No Imputation. The knowledge or actions, or failure to act, of any director, officer, employee, or agent of the Company, or the Company itself shall not be imputed to Indemnitee for the purpose of determining Indemnitee's rights hereunder.

15. Survival of Rights.

(a) All agreements and obligations of the Company contained herein shall continue during the period Indemnitee is an Agent of the Company and shall continue thereafter so long as Indemnitee shall be subject to any possible claim or threatened, pending or completed Proceeding by reason of the fact that Indemnitee was serving in the capacity referred to herein.

(b) The Company shall require any successor to the Company (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

16. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever, (i) the validity, legality and enforceability of the remaining provisions of the Agreement (including, without limitation, all portions of any paragraphs of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal, or unenforceable) shall not in any way be affected or impaired thereby, and (ii) to the fullest extent possible, such remaining provisions shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal, or unenforceable.

17. **Modification and Waiver**. No supplement, modification, or amendment of this Agreement shall be binding unless it is in a writing signed by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions (even if similar) nor shall such waiver constitute a continuing waiver.

18. **Notice**. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (a) upon delivery if delivered by hand to the party to whom such notice or other communication shall have been directed, (b) if mailed by certified or registered mail with postage prepaid, return receipt requested, on the third business day after the date on which it is so mailed, (c) one (1) business day after the business day of deposit with a nationally recognized overnight delivery service, specifying next day delivery, with written verification of receipt, or (d) on the same day as delivered by electronic transmission if delivered during business hours or on the next successive business day if delivered by electronic transmission after business hours. Addresses for notice to either party shall be as shown on the signature page of this Agreement, or to such other address as may have been furnished by either party in the manner set forth above.

19. **Governing Law**. This Agreement shall be governed exclusively by and construed according to the laws of the State of Delaware as applied to contracts between Delaware residents entered into and to be performed entirely within Delaware. This Agreement is intended to be an agreement of the type contemplated by Section 145(f) of the DGCL.

20. **Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement, and electronically transmitted signatures shall be valid.

(*Signature page follows*)

The parties hereto have entered into this Indemnification Agreement, including the undertaking contained herein, effective as of the date first above written.

COMPANY:

SKYWARD SPECIALTY INSURANCE GROUP, INC.

By: _____
Name:
Title:

Address: 800 Gessner Road, Suite 600
Houston, TX 77024

Email:

INDEMNITEE:

[NAME]

_____

Address: [*address*]
[*address*]

Email: [*email*]

(*Signature page to Indemnification Agreement*)

Exhibit 10.7

Execution Copy

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("*Agreement*") is made on May 22, 2020 by and between HIIG SERVICE COMPANY and HOUSTON INTERNATIONAL INSURANCE GROUP, Ltd. (**"*HIIG*"**), both organized under the laws of the state of Delaware (collectively, the "***Company***"), and Andrew Robinson (**"*Executive*"**).

WITNESSETH:

WHEREAS, the Company desires to employ Executive as Chief Executive Officer on the terms, subject to the conditions and for the consideration, hereinafter set forth and Executive desires to be employed by the Company on such terms and conditions and for such consideration; and

WHEREAS, Executive acknowledges and agrees that the restrictive covenants contained in this Agreement are supported by the promises made by the Company in this Agreement, not only to provide confidential information but also to provide Executive equity reflecting the goodwill of the Company pursuant to the terms herein.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants and obligations contained herein, the Company and Executive agree as follows:

ARTICLE I
DEFINITIONS

In addition to the terms defined in the body of this Agreement, for purposes of this Agreement, the following capitalized words shall have the meanings indicated below:

1.1 Definitions.

"*Board*" shall mean the Board of Directors of HIIG.

"*Business*" means (a) during the period of Executive's employment by the Company, any business in which the Company or any of its subsidiaries is engaged, or has specific plans to engage of which Executive is aware, during such period and (b) during the portion of the Prohibited Period that begins on the termination of Executive's employment with the Company, (i) the products and services provided and the activities engaged in by the Company or any of its subsidiaries at the time of such termination of employment and other products, services and activities that are functionally equivalent to the foregoing and (ii) any other business in which the Company or its subsidiaries is engaged, or has specific plans to engage of which Executive is aware during such period.

"*Cause*" shall mean (a) act of dishonesty, fraud, theft, or embezzlement by Executive with respect to the Company or its subsidiaries; (b) malfeasance or gross negligence in the performance of Executive's duties; (c) commission or conviction of any felony, or entry of a plea of guilty or nolo contendere to any felony, conviction of any misdemeanor involving theft, defalcation, dishonesty or violence, or entry of a plea of guilty or nolo contendere to any misdemeanor involving theft, defalcation, dishonesty or violence, or conviction related to any crime of moral turpitude; (d) willfully refusing to perform Executive's duties and responsibilities, or failure to adhere to the directions of the Board or the Company's or any of its subsidiaries' corporate codes, policies, or procedures, as in effect or amended from time to time; (e) failure by Executive to perform his duties and responsibilities hereunder (other than by reason of disability due to physical or mental impairment) without the same being corrected within thirty (30) days after being given written notice thereof, as determined by the Company in good faith; (f) the material breach by Executive of any of the covenants contained in this Agreement; and (g) violation of any statutory, material contractual, or common law duty or obligation to the Company or any of its affiliates, including, without limitation, Executive's duty of loyalty, and further with respect to (a)-(d) and (f)-(g), without the same being corrected within ten (10) days after being given written notice thereof.

"*Change in Control*" shall mean (i) a sale of all or substantially all of the assets of the Company or (ii) a merger, consolidation, recapitalization or similar transaction or series of transactions involving the Company or a direct or indirect sale of the equity interests of the Company, in each case where direct or indirect equity holders of the Company prior to such transaction do not own more than 50% of the direct or indirect equity of the surviving entity of such transaction or series of transactions.

"*Code*" shall mean the Internal Revenue Code of 1986, as amended.

"*Competing Business*" means any business, individual, partnership, firm, corporation, or other entity that wholly or in any significant part engages in the Business in the Restricted Area.

"*Date of Termination*" shall mean the date Executive's employment with the Company is considered to have terminated pursuant to Section 3.4.

"*Good Reason*" shall mean the occurrence of any of the following events:

(a) a material diminution in Executive's Base Salary, Executive's Annual Bonus opportunity, or Executive's Annual LTI Award opportunity;

(b) a material diminution in Executive's authority, duties, title, or responsibilities;

(c) the involuntary relocation of the geographic location of Executive's principal place of employment that is not to a mutually-agreed location;

(d) a material breach by the Company of any material provision of this Agreement; or

(e) in the event Executive is appointed to the Board, removal of Executive from the Board without cause pursuant to Sections 3.3 and 3.5 of the Amended and Restated Stockholders' Agreement by and among the Stockholders party thereto and HIIG dated as of March 12, 2014.

Notwithstanding any other provision in this Agreement to the contrary, any assertion by Executive of a termination of employment for "***Good Reason***" shall not be effective unless all of the following conditions are satisfied: (i) the condition described in (a), (b), (c), or (d) of this definition giving rise to Executive's termination of employment must have arisen without Executive's consent; (ii) Executive must provide written notice to the Company of such condition in accordance with Section 10.1 within 45 days of the initial existence of the condition; (iii) the condition specified in such notice must remain uncorrected for 45 days after receipt of such notice by the Company; and (iv) the date of Executive's termination of employment must occur within 91 days after the initial existence of the condition specified in such notice.

"*Governmental Authority*" means any governmental, quasi-governmental, state, county, city, or other political subdivision of the United States or any other country, or any agency, court or instrumentality, foreign or domestic, or statutory or regulatory body thereof.

"*Legal Requirement*" means any law, statute, code, ordinance, order, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, authorization, or other directional requirement (including any of the foregoing that relates to environmental standards or controls, energy regulations and occupational, safety and health standards, or controls including those arising under environmental laws) of any Governmental Authority.

"*Notice of Termination*" shall mean a written notice delivered to the other party indicating the specific termination provision in this Agreement relied upon for termination of Executive's employment and the intended Date of Termination and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

"*Prohibited Period*" means (i) in the event Executive's employment is terminated pursuant to Section 3.2 (not within the 12-month period beginning on a Change in Control) or Sections 3.1(c) or 3.1(d), the period during which Executive is employed by the Company and for a period of one year following the end of Executive's employment with the Company; or (ii) in the event Executive's employment is terminated pursuant to Section 3.2 (within the 12-month period beginning on a Change in Control) or Section 3.1(a), the period during which Executive is employed by the Company and for a period of six months following the end of Executive's employment.

"*Restricted Area*" means the United States. In the alternative, and only if the foregoing territory is deemed by a court of competent jurisdiction or an arbitrator, as the case may be in accordance with Article IX, to be unreasonable or otherwise invalid or unenforceable, then the Restricted Area means each state in the United States in which the Company's insurance products and services are being offered for sale on the date Executive's employment with or service to the Company terminates.

1.2 Rules of Construction. The word "or" is not exclusive. The words "include", "includes" and "including", in each instance in which any of such words appears herein, shall be deemed to be followed by the phrase "without limitation". The term "affiliate," as used in this Agreement with respect to a particular person or entity, shall mean any other person or entity that owns or controls, is owned or controlled by, or is under common ownership or control with, such particular person or entity. All recitals and headings in this Agreement are included for convenience and do not constitute a representation or warranty of any kind or affect the construction or interpretation of any provision of, or the rights or obligations of any party under, this Agreement. Any reference to value in this Agreement shall be measured in United States dollars.

ARTICLE II
EMPLOYMENT AND DUTIES

2.1 Employment; Effective Date. The Company agrees to employ Executive, and Executive agrees to be employed by the Company, pursuant to the terms of this Agreement beginning as of May 22, 2020 (the ***"Effective Date"),*** subject to the terms and conditions of this Agreement.

2.2 Positions. From and after the Effective Date, the Company shall employ Executive in the position of Chief Executive Officer or in such other position or positions as the parties mutually may agree, and Executive shall report to the Board.

2.3 Duties and Services. Executive agrees to serve in the position(s) referred to in Section 2.2 and to perform diligently and to the best of Executive's abilities the duties and services appertaining to such position(s), as well as such additional duties and services appropriate to such position(s) that the parties mutually may agree upon from time to time.

2.4 Place of Employment. Executive's principal place of employment shall be at the Company's principal executive offices, which shall be located in Houston, Texas or at a location reasonably agreed to by Executive and the Board.

2.5 Other Interests. Executive agrees, during the period of Executive's employment by the Company, to devote substantially all of Executive's business time, energy and best efforts to the business and affairs of the Company. Notwithstanding the foregoing, the parties acknowledge and agree that Executive may (a) subject to Section 8.1, engage in and manage Executive's passive personal investments, (b) engage in charitable and civic activities, and (c) serve on one or more other boards of directors with the approval of the Board, not to be unreasonably withheld, provided that such activities do not unreasonably conflict with the business and affairs of the Company, interfere with Executive's performance of Executive's duties hereunder, or otherwise violate the law.

ARTICLE III
TERMINATION OF EMPLOYMENT

3.1 Company's Right to Terminate. The Company may terminate Executive's employment under this Agreement at any time for any of the following reasons by providing Executive with a Notice of Termination:

(a) upon Executive being unable to perform Executive's duties or fulfill Executive's obligations under this Agreement, with reasonable accommodation, by reason of any physical or mental impairment for a period of at least 90 consecutive days or for a period of 120 days during any 12-month period, as determined by the Company and certified in writing by a competent medical physician selected by the Company; or

(b) Executive's death; or

(c) for Cause; or

(d) for any other reason whatsoever or for no reason at all, in the sole discretion of the Company.

3.2 Executive's Right to Terminate. Executive shall have the right to terminate Executive's employment under this Agreement for Good Reason or for any other reason whatsoever or for no reason at all, in the sole discretion of Executive, by providing the Company with a Notice of Termination. In the case of a termination of employment by Executive pursuant to this Section 3.2, the Date of Termination specified in the Notice of Termination shall not be less than 15 nor more than 60 days from the date such Notice of Termination is given, unless otherwise agreed by the Board of Directors of HIIG, and the Company may require a Date of Termination earlier than that specified in the Notice of Termination.

3.3 Deemed Resignations. Unless otherwise agreed to in writing by the Company and Executive prior to the termination of Executive's employment, any termination of Executive's employment shall constitute (a) an automatic resignation of Executive as an officer of the Company and from any and all other positions held at any affiliate of the Company, and (b) an automatic resignation of Executive from the Board (if applicable), and from the board of directors or similar governing body of any corporation, limited liability entity or other entity in which the Company holds an equity interest and with respect to which board or similar governing body Executive serves as the Company's designee or other representative.

3.4 Meaning of Termination of Employment. For all purposes of this Agreement, Executive shall be considered to have terminated employment with the Company when Executive incurs a "separation from service" with the Company within the meaning of section 409A(a)(2)(A)(i) of the Code and applicable administrative guidance issued thereunder.

ARTICLE IV
COMPENSATION AND BENEFITS

4.1 Base Salary. During the period of Executive's employment hereunder, Executive shall receive an annualized base salary of no less than $750,000.00 (such amount, as in effect from time to time, the "***Base Salary***"). Executive's annualized Base Salary shall be reviewed no less than annually by the Board. Executive's Base Salary shall be paid in equal installments in accordance with the Company's standard policy regarding payment of compensation to executives but no less frequently than monthly.

4.2 **Annual Performance-Based Cash Bonus.** Executive shall be eligible to receive an annual, calendar-year cash bonus (payable in a single lump sum) based on criteria determined in the sole discretion of the Board or a committee thereof (an "***Annual Bonus***"), it being understood that the actual amount of each Annual Bonus, if any, shall be between 0% and 120% of Executive's annual Base Salary as determined in good faith in the sole discretion of the Board or a committee thereof, and it being further understood that Executive's target Annual Bonus shall be 80% of his Base Salary, and it being further understood that, for calendar year 2020, the Board and Executive shall endeavor to establish the aforementioned criteria within 90 days of the Effective Date of this Agreement. The Company shall use commercially reasonable efforts to pay each Annual Bonus, if any, with respect to a calendar year on or before March 15 of the following calendar year (and in no event shall an Annual Bonus be paid after December 31 of the following calendar year); *provided, however,* that (except as otherwise provided in Section 6.1(b)) Executive will be entitled to receive payment of such Annual Bonus only if Executive is employed by the Company as of March 15 of the following calendar year. For any partial calendar year during the period of Executive's employment hereunder, the Annual Bonus for such year shall be prorated based on the ratio of the number of days during such calendar year that Executive was employed by the Company to the number of days in such calendar year.

4.3 **Other Benefits.** During Executive's employment hereunder, Executive shall be permitted to participate in all benefit plans and programs of the Company, including improvements or modifications of the same, which are now, or may hereafter be, available to similarly situated employees of the Company, subject to the terms and conditions of the applicable plans and programs and the discretion of the Board or a committee thereof. The Company shall not, however, by reason of this Section 4.3, be obligated to institute, maintain, or refrain from changing, amending, or discontinuing, any such benefit plan or program, so long as such changes are similarly applicable to similarly situated employees generally.

4.4 **Expenses.** The Company shall reimburse Executive for all reasonable business expenses incurred by Executive during Executive's employment hereunder in performing services hereunder, including all expenses of travel and living expenses while away from home on business or at the request of and in the service of the Company; *provided,* in each case, that such expenses are incurred and accounted for in accordance with the policies and procedures established by the Company. Any such reimbursement of expenses shall be made by the Company upon or as soon as practicable following receipt of supporting documentation reasonably satisfactory to the Company. Notwithstanding any provision of this Agreement to the contrary, (a) the amount of expenses eligible for reimbursement hereunder during one calendar year shall not affect the expenses eligible for reimbursement hereunder in any other calendar year, and (b) in no event shall Executive be entitled to reimbursement for any expenses after the first anniversary of the Date of Termination.

4.5 **Relocation Allowance.** Executive shall be entitled to reimbursement of out-of- pocket expenses associated with Executive and his family's relocation to Houston, Texas, including, but not limited to, temporary living and car rental, travel to and from Atlanta, Georgia or Rhode Island for Executive and/or his wife, and cost of Atlanta home sale and moving expenses up to $150,000.00 (the "***Relocation Expense Reimbursement***"), provided Executive is employed on the date any such reimbursement is incurred by Executive. Such expenses shall be accounted for in accordance with the policies and procedures established by the Company and shall be reimbursed and paid to Executive as follows: no more than $25,000 in 2020 and no more than $125,000 in 2021. The amount of any such reimbursement will include an additional amount of compensation as is necessary to place Executive in the same after-tax position Executive would have been in had no such taxes been paid or incurred with respect to receipt of the Relocation Expense Reimbursement assuming that Executive's overall effective tax rate equals a percentage to be determined in good faith by the Company at the time of reimbursement.

4.6 **Vacation and Sick Leave.** During Executive's employment hereunder, Executive shall be entitled to (a) sick leave in accordance with the Company's policies applicable to its similarly situated employees and (b) five weeks paid vacation each calendar year (none of which may be carried forward to a succeeding year) in accordance with the Company's vacation policies in effect from time to time; *provided, however,* that if Executive has not been employed by the Company since January 1 of the year that includes the Effective Date, then Executive's paid vacation for such year shall be prorated based on the ratio of the number of days remaining in such calendar year from and after the Effective Date to the number of days in such calendar year (rounded up to the nearest whole day).

4.7 **Offices.** Subject to Articles II, III, and IV hereof, Executive agrees to serve without additional compensation, if elected or appointed thereto, as a director of the Company and as a member of any committees of the Board or any officer or director position with respect to subsidiaries or affiliates of the Company.

ARTICLE V
EQUITY AND EQUITY-BASED AWARDS

5.1 **Purchased Equity.** As a portion of consideration for Executive's entry into this Agreement (and his agreement to the various covenants and obligations set forth herein), Executive may purchase (or cause an entity or a trust controlled by Executive *("**Executive's Designee**")* to purchase) common shares in the Company *("**Common Shares**")* having an aggregate value up to $1,000,000 no later than one year after the date of this Agreement pursuant to, and on the terms and subject to the conditions set forth in, the Company's Share Purchase Plan (the *"**Plan**")*. In the event Executive effects such purchase, the Company will award to Executive a number of unvested Common Shares equal to the number of Common Shares so purchased subject to and in accordance with the terms and conditions of the Plan.

5.2 **Executive Long Term Incentive Bonus.** Executive shall be eligible to participate in a long-term incentive plan *("**LTIP**")* to be adopted by the Company, the terms and conditions of which shall be determined by the Board in its sole discretion. During Executive's employment, Executive shall be eligible to receive annual equity incentive awards under the LTIP entitling him to receive a specified number of Common Shares subject to vesting conditions based on continued employment and/or the attainment of specified performance measures, in each case, as determined by the Board or a committee thereof in its sole discretion (an *"**Annual LTI Award**"),* it being understood that the target value of each Annual LTI Award shall equal 120% of his Base Salary (as determined at the time of grant), and the amount awarded pursuant to such Annual LTI Award may be zero but in no event shall exceed 180% of Executive's annual Base Salary (as determined at the time of grant).

ARTICLE VI
EFFECT OF TERMINATION OF EMPLOYMENT ON COMPENSATION

6.1 Effect of Termination of Employment on Compensation.

(a) If Executive's employment hereunder shall terminate for any reason, then all compensation and all benefits to Executive hereunder shall terminate contemporaneously with such termination of employment, except that Executive shall be entitled to (i) payment of all accrued and unpaid Base Salary through the Date of Termination, subject to applicable taxes and withholdings, with such amount to be paid on or before the Company's next regularly scheduled pay date immediately following the Date of Termination, (ii) reimbursement for all incurred but unreimbursed expenses for which Executive is entitled to reimbursement in accordance with Section 4.4 and Section 4.5, and (iii) benefits to which Executive is entitled under the terms of, and in accordance with, any applicable benefit plan or program.

(b) In addition to the amounts set forth in Section 6.1(a), if Executive's employment hereunder shall terminate for any reason described in Sections 3.1(a) or 3.1(b), Executive shall also be entitled to:

(i) payment of a prorated target Annual Bonus (as described in Section 4.2) for the year in which such Date of Termination occurs based on ratio of the number of days during such calendar year that Executive was employed by the Company to the number of days in such calendar year;

(ii) payment of any earned and accrued Annual Bonus for the calendar year preceding the calendar year in which the Date of Termination occurs to the extent not paid prior to the Date of Termination; and

(iii) with respect to any outstanding Annual LTIP Awards held by Executive on his Date of Termination that are subject to time-vesting conditions, accelerated vesting of such Annual LTI Awards.

(c) In addition to the amounts set forth in Sections 6.1(a) and 6(b), if Executive's employment hereunder shall terminate pursuant to Section 3.1(d) or pursuant to Executive's resignation for Good Reason, subject to Executive delivering, within 30 days after the Date of Termination, and not revoking, an executed release substantially in the form of the release set forth on Exhibit A (the *"**Release**"),* and provided that Executive does not violate any of the restrictions set forth in Articles VII or VIII of this Agreement, Executive shall also be entitled to:

(i) a lump sum cash payment in an amount equal to Executive's Base Salary as of the Date of Termination (but prior to any reduction giving rise to termination for Good Reason), less applicable taxes and withholdings (the *"**Severance Payment**")* payable within 60 days following the Date of Termination; and

(ii) continuation of the group health insurance coverage in accordance with the health insurance plan and applicable law (generally referred to as "COBRA") for a period of one year after the Date of Termination provided Executive does not obtain new employment, with Executive and the Company each continuing to pay their same respective portions of premium prior to Executive's termination.

(d) In addition to the amounts set forth in Sections 6.1(a), 6.1(b), and 6.1(c), if Executive's employment hereunder shall terminate pursuant to Section 3.1(d), or pursuant to Executive's resignation for Good Reason, in each case, within 12 months following a Change in Control, subject to Executive delivering, within 30 days after the Date of Termination, and not revoking, the executed Release, and provided that Executive does not violate any of the restrictions set forth in Articles VII or VIII of this Agreement, Executive shall also be entitled to accelerated vesting of any outstanding Annual LTI Awards held by Executive on his Date of Termination that are subject to performance-based vesting conditions based on a valuation mechanism determined by the Board in good faith that results in an award no less than target.

(e) In the event Executive's employment is terminated pursuant to Section 3.1(c), then all compensation and all benefits to Executive hereunder shall terminate contemporaneously with such termination of employment, and Executive shall be entitled to only the payments and benefits provided in Section 6.1(a), and Executive shall have no right to any further payments or benefits, including but not limited to any Severance Payment, Annual Bonus, any outstanding unvested Annual LTI Awards or payments or benefits pursuant to Section 5.2.

(f) Subject to Section 4.5, Executive shall be solely responsible for any taxes related to any payments or benefits provided pursuant to Article VI.

ARTICLE VII
PROTECTION OF INFORMATION

7.1 Disclosure to and Property of the Company. For purposes of this Article VII, the term "the Company" shall include the Company and all of its subsidiaries, and any reference to "employment" or similar terms shall include a director and/or consulting relationship. All information, trade secrets, designs, ideas, concepts, improvements, product developments, discoveries and inventions, whether patentable or not, that are conceived, made, developed, disclosed to or acquired by Executive, individually or in conjunction with others, during the period of Executive's employment by the Company (whether during business hours or otherwise and whether on the Company's premises or otherwise) that relate to the Company's businesses, trade secrets, products or services (including all such information relating to corporate opportunities, strategies, business plans, product specifications, compositions, manufacturing and distribution methods and processes, research, financial and sales data, pricing terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or their requirements, the identity of key contacts within the customer's organizations or within the organization of acquisition prospects, or production, marketing and merchandising techniques, prospective names and marks) and all writings or materials of any type embodying any of such information, ideas, concepts, improvements, discoveries, inventions and other similar forms of expression (collectively, *"**Confidential Information**")* shall be disclosed to the Company and are and shall be the sole and exclusive property of the Company. Notwithstanding any of the preceding provisions of this Section 7.1 to the contrary, the term "Confidential Information" does not include (a) any information that, at the time of disclosure by the Company, is available to the public other than as a result of any act of Executive or (b) any information that becomes available to Executive on a non-confidential basis from a source other than the Company, provided that such source is not known by Executive to be bound by a confidentiality agreement with or other obligation of secrecy to the Company. Upon request by the Company, Executive shall promptly (i) disclose to the Company all Confidential Information in Executive's custody or control and (ii) return to the Company all Confidential Information in Executive's custody or control. Moreover, all documents, videotapes, written presentations, brochures, drawings, memoranda, notes, records, files, correspondence, manuals, models, specifications, computer programs, E-mail, voice mail, electronic databases, maps, drawings, architectural renditions, models and all other writings or materials of any type embodying any Confidential Information, ideas, concepts, improvements, discoveries, inventions and other similar forms of expression (collectively, *"**Work Product**")* are and shall be the sole and exclusive property of the Company. Executive agrees to perform all actions reasonably requested by the Company to establish and confirm such exclusive ownership. Upon termination of Executive's employment with the Company, for any reason, Executive promptly shall deliver such Confidential Information and Work Product, and all copies thereof, to the Company.

7.2 **Disclosure to Executive.** The Company shall (a) disclose to Executive and place Executive in a position to have access to or develop Confidential Information and Work Product of the Company, (b) entrust Executive with business opportunities of the Company, and (c) place Executive in a position to develop business good will on behalf of the Company.

7.3 **No Unauthorized Use or Disclosure.** Executive agrees to preserve and protect the confidentiality of all Confidential Information and Work Product of the Company. Executive agrees that Executive will not, at any time during or after Executive's employment with the Company, make any unauthorized disclosure of, and Executive shall not remove from the Company premises, Confidential Information or Work Product of the Company, or make any use thereof, except, in each case, in the carrying out of Executive's responsibilities hereunder. Executive shall use all reasonable efforts to cause all persons or entities to whom any Confidential Information shall be disclosed by Executive hereunder to preserve and protect the confidentiality of such Confidential Information. Executive shall have no obligation hereunder to keep confidential any Confidential Information if and to the extent disclosure thereof is specifically required by law; *provided, however,* that in the event disclosure is required by applicable law, Executive shall provide the Company with prompt notice of such requirement prior to making any such disclosure, so that the Company may seek an appropriate protective order. At the request of the Company at any time, Executive agrees to deliver to the Company all Confidential Information that Executive may possess or control. As a result of Executive's employment by the Company, Executive may also from time to time have access to, or knowledge of, confidential information or work product of third parties, such as customers, suppliers, partners, joint venturers, and the like, of the Company. Executive also agrees to preserve and protect the confidentiality of such third-party confidential information and work product.

7.4 **Ownership by the Company.** If, during Executive's employment by the Company, Executive creates any work of authorship fixed in any tangible medium of expression that is the subject matter of copyright (such as videotapes, written presentations, or acquisitions, computer programs, E-mail, voice mail, electronic databases, drawings, maps, architectural renditions, models, manuals, brochures, or the like) relating to the Company's business, products, or services, whether such work is created solely by Executive or jointly with others (whether during business hours or otherwise and whether on the Company's premises or otherwise), including any Work Product, the Company shall be deemed the author of such work if the work is prepared by Executive in the scope of Executive's employment; or, if the work relating to the Company's business, products, or services is not prepared by Executive within the scope of Executive's employment but is specially ordered by the Company as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, or as an instructional text, then the work shall be considered to be work made for hire and the Company shall be the author of the work. If the work relating specifically to the Company's business, products, or services is neither prepared by Executive within the scope of Executive's employment nor a work specially ordered that is deemed to be a work made for hire during Executive's employment by the Company, then Executive hereby agrees to assign, and by these presents does assign, to the Company all of Executive's worldwide right, title, and interest in and to such work and all rights of copyright therein.

7.5 **Assistance by Executive.** During the period of Executive's employment by the Company, Executive shall assist the Company and its nominee, at any time, in the protection of the Company's worldwide right, title and interest in and to Confidential Information and Work Product and the execution of all formal assignment documents requested by the Company or its nominee(s) and the execution of all lawful oaths and applications for patents and registration of copyright in the United States and foreign countries. After Executive's employment with the Company terminates, at the request and reasonable expense of the Company, Executive shall assist the Company or its nominee(s) in the protection of the Company's worldwide right, title and interest in and to Confidential Information and Work Product and the execution of all formal assignment documents requested by the Company or its nominee and the execution of all lawful oaths and applications for patents and registration of copyright in the United States and foreign countries.

7.6 **Remedies.** Executive acknowledges that money damages would not be a sufficient remedy for any breach of this Article VII by Executive, and the Company shall be entitled to enforce the provisions of this Article VII by terminating payments then owing to Executive under Article VI of this Agreement or otherwise and to specific performance and injunctive relief as remedies for such breach or any threatened breach. Such remedies shall not be deemed the exclusive remedies for a breach of this Article VII but shall be in addition to all remedies available at law or in equity, including the recovery of damages from Executive and Executive's agents. However, if it is determined that Executive has not committed a breach of this Article VII, then the Company shall resume the payments and benefits due under this Agreement and pay to Executive or Executive's Designee, if applicable, all payments and benefits that had been suspended pending such determination.

ARTICLE VIII
RESTRICTIVE COVENANTS

8.1 Non-Competition; Non-Solicitation. Executive agrees to the non-competition and non-solicitation provisions of this Article VIII in consideration for the Confidential Information provided by the Company to Executive pursuant to Section 7.2(a) of this Agreement and Common Shares granted to Executive pursuant to Section 5.1 and 5.2 of this Agreement. In connection with the foregoing, Executive agrees to protect the trade secrets and Confidential Information of the Company disclosed or entrusted to Executive by the Company or created or developed by Executive for the Company, as applicable. Executive acknowledges that his agreement to the foregoing is an express incentive for the Company to enter into this Agreement.

(a) Subject to the exceptions set forth in Section 8.1(b) below, Executive expressly covenants and agrees that during the Prohibited Period (i) Executive will refrain from carrying on or engaging in, directly or indirectly, any Competing Business in the Restricted Area and (ii) Executive will not, and Executive will cause Executive's affiliates not to, directly or indirectly, own, manage, operate, join, become an employee of, partner in, owner or member of (or an independent contractor to), control or participate in, be connected with or loan money to, sell or lease equipment or property to, or otherwise be affiliated with any business, individual, partnership, firm, corporation or other entity which engages in a Competing Business in the Restricted Area.

(b) Notwithstanding the restrictions contained in Section 8.1(a), Executive or any of Executive's affiliates may own an aggregate of not more than 1% of the outstanding stock of any class of any corporation engaged in a Competing Business if such stock is listed on a national securities exchange or regularly traded in the over-the-counter market by a member of a national securities exchange, without violating the provisions of Section 8.1(a); *provided, however,* that neither Executive nor any of Executive's affiliates has the power, directly or indirectly, to control or direct the management or affairs of any such corporation and is not involved in the management of such corporation.

(c) Executive further expressly covenants and agrees that during Executive's employment by the Company and for a period of one year following the end of Executive's employment with the Company, Executive will not, and Executive will cause Executive's affiliates not, to (i) solicit the engagement or employment of, any person who is an officer or employee of the Company or (ii) on behalf of a Competing Business, solicit, approach or entice away or cause to be solicited, approached or enticed away from the Company any person or entity who, during the period in which Executive was employed by the Company, was a customer, client, agent, producer or policyholder of the Company or any of its subsidiaries.

(d) Before accepting employment with any other person or entity during the Prohibited Period, Executive will inform such person or entity of the restrictions contained in this Article VIII.

8.2 Relief. Executive and the Company agree and acknowledge that the limitations as to time, geographical area and scope of activity to be restrained as set forth in Section 8.1 are reasonable and do not impose any greater restraint than is necessary to protect the legitimate business interests of the Company. Executive and the Company also acknowledge that money damages would not be sufficient remedy for any breach of this Article VIII by Executive, and the Company shall be entitled to enforce the provisions of this Article VIII by terminating payments then owing to Executive under this Agreement or otherwise and to specific performance and injunctive relief as remedies for such breach or any threatened breach as provided by Section 9.3. Such remedies shall not be deemed the exclusive remedies for a breach of this Article VIII but shall be in addition to all remedies available at law or in equity, including the recovery of damages from Executive and Executive's agents. However, if it is determined by a court of competent jurisdiction or an arbitrator, as the case may be in accordance with Article IX, that Executive has not committed a breach of this Article VIII, then the Company shall resume the payments and benefits due under this Agreement and pay to Executive all payments and benefits that had been suspended pending such determination.

8.3 **Reasonableness; Enforcement.** Executive hereby represents to the Company that Executive has read and understands, and agrees to be bound by, the terms of this Article VIII. Executive acknowledges that he shall be a member of the Company's executive and management personnel, and that the geographic scope and duration of the covenants contained in this Article VIII are the result of arm's-length bargaining and are fair and reasonable in light of (a) the nature and wide geographic scope of the operations of the Business, (b) Executive's level of control over and contact with the Business in all jurisdictions in which it is conducted, (c) the fact that the Business is conducted throughout the Restricted Area, and (d) the amount of Confidential Information and equity reflecting the goodwill of the Company that Executive is receiving in connection with the performance of Executive's duties hereunder. It is the desire and intent of the parties that the provisions of this Article VIII be enforced to the fullest extent permitted under applicable Legal Requirements, whether now or hereafter in effect and therefore, to the extent permitted by applicable Legal Requirements, Executive and the Company hereby waive any provision of applicable Legal Requirements that would render any provision of this Article VIII invalid or unenforceable.

8.4 **Reformation.** The Company and Executive agree that the foregoing restrictions are reasonable under the circumstances and that any breach of the covenants contained in this Article VIII would cause irreparable injury to the Company. Executive understands that the foregoing restrictions may limit Executive's ability to engage in certain businesses in the Restricted Area during the Prohibited Period, but acknowledges Executive's skills are such that Executive can be gainfully employed in non-competitive employment, and that restrictions in this Article VIII will not prevent Executive from earning a living. Nevertheless, if any of the aforesaid restrictions are found by a court of competent jurisdiction or an arbitrator, as the case may be in accordance with Article IX, to be unreasonable, or overly broad as to geographic area or time, or otherwise unenforceable, the parties intend for the restrictions herein set forth to be modified by the court of competent jurisdiction or the arbitrator making such determination, as the case may be in accordance with Article IX, so as to be reasonable and enforceable and, as so modified, to be fully enforced. By agreeing to this contractual modification prospectively at this time, the Company and Executive intend to make this provision enforceable under the law or laws of all applicable States, Provinces, and other jurisdictions so that the entire agreement not to compete or solicit and this Agreement as prospectively modified shall remain in full force and effect and shall not be rendered void or illegal.

ARTICLE IX
DISPUTE RESOLUTION

9.1 **Arbitration.** Subject to Section 9.3, all claims or disputes relating to, arising from, or in connection with Executive's employment with the Company, the termination thereof, this Agreement, or the termination thereof, including any dispute as to the existence, validity, construction, interpretation, negotiation, performance, non-performance, breach, termination, or enforceability of this Agreement including this Section 9.1 (in each case, a "Dispute"), with the sole exception of the Company seeking injunctive relief for any breach or threatened breach by Executive of this Agreement as provided in Section 9.3, shall be settled by binding confidential arbitration before the American Arbitration Association *("**AAA**")*. Either party may, by providing written notice (the *"**Arbitration Notice**")* to the other party, demand arbitration of the dispute as set out below, and each party hereto expressly agrees to submit to, and be bound by, such arbitration, subject to Section 9.3.

9.2 Procedure; WAIVER OF JURY TRIAL. The Dispute shall be submitted for final and binding arbitration in the State of Delaware in accordance with the then-applicable rules for resolution of commercial disputes of the AAA. The arbitration shall be conducted by a single arbitrator licensed to practice law for at least ten (10) years who is a former judge, chosen pursuant to the then-applicable rules for resolution of commercial disputes of the AAA (the *"**Arbitrator**")*. The results of the arbitration and the decision of the Arbitrator will be final and binding on the parties and each party agrees and acknowledges that these results shall be enforceable in a court of law. No demand for arbitration may be made after the date when the institution of legal or equitable proceedings based on such claim or dispute would be barred by the applicable statute of limitations. The Arbitrator shall have the authority to award the same remedies, damages, and costs that a court could award, including but not limited to the right to award injunctive relief in accordance with the other provisions of this Agreement. In the event either party must resort to the judicial process to enforce the award of an arbitrator or equitable relief granted by an arbitrator, the party seeking enforcement shall be entitled to recover from the other party all costs of litigation including, but not limited to, reasonable attorney's fees and court costs. All proceedings conducted pursuant to this agreement to arbitrate, including any order, decision or award of the arbitrator, shall be kept confidential by all parties. **THE PARTIES ACKNOWLEDGE THAT, BY SIGNING THIS AGREEMENT, THEY ARE KNOWINGLY AND VOLUNTARILY WAIVING ANY RIGHTS THEY MAY HAVE TO A JURY TRIAL.** The Arbitrator's authority to resolve and make written awards is limited to claims between Executive and the Company alone. EXECUTIVE AGREES TO BRING ANY DISPUTE SUBJECT TO ARBITRATION PURSUANT TO THIS SECTION 9.2 ON AN INDIVIDUAL BASIS ONLY, AND NOT ON A CLASS OR COLLECTIVE BASIS. THERE WILL BE NO RIGHT OR AUTHORITY FOR ANY SUCH DISPUTE TO BE BROUGHT, HEARD, OR RESOLVED AS A CLASS OR COLLECTIVE, REPRESENTATIVE ACTION, OR AS A MEMBER IN ANY PURPORTED CLASS, COLLECTIVE, OR REPRESENTATIVE PROCEEDING.

9.3 Injunctive Relief and Specific Performance. Executive and the Company further acknowledge and agree that, as the sole exception to arbitration provided in Section 9.1 and 9.2, the Company shall have the right to seek emergency, temporary, or injunctive relief or specific performance, including claims arising under Articles VII and VIII hereunder, in a court of competent jurisdiction without posting a bond and without giving notice to the maximum extent permitted by law, and such court shall have the power to maintain the status quo pending the arbitration of any dispute under this Article IX; in such event, Executive hereby consents to the non-exclusive jurisdiction, forum, and venue of the state and federal courts located in the State of Delaware, and hereby waives any objection to the jurisdiction, forum, and venue of such court.

ARTICLE X
MISCELLANEOUS

10.1 Notices. For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given (a) when received if delivered personally or by courier, (b) on the date receipt is acknowledged if delivered by certified mail, postage prepaid, return receipt requested, or (c) one day after transmission if sent by facsimile transmission with confirmation of transmission or email, as follows:

To Executive:	Andrew Robinson [***] [***] Facsimile: _____
To the Company:	Houston International Insurance Group, Ltd. 800 Gessner, Suite 600 Houston, TX 77024 Attention: Chief Financial Officer Facsimile: _____

or to such other address as either party may furnish to the other in writing in accordance herewith, except that notices or changes of address shall be effective only upon receipt.

10.2 Applicable Law. This Agreement is entered into under, and shall be governed for all purposes by, the laws of the State of Delaware, without regard to conflicts of laws principles thereof that would require the application of the laws of any other jurisdiction.

10.3 No Waiver. No failure by either party hereto at any time to give notice of any breach by the other party of, or to require compliance with, any condition or provision of this Agreement shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

10.4 Severability. If a court of competent jurisdiction or an arbitrator, as the case may be pursuant to Article IX, determines that any provision of this Agreement is invalid or unenforceable, then the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect.

10.5 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement.

10.6 Withholding of Taxes and Other Employee Deductions. The Company may withhold from any benefits and payments made pursuant to this Agreement all federal, state, city and other taxes and withholdings as may be required pursuant to any law or governmental regulation or ruling and all other customary deductions made with respect to the Company's employees generally.

10.7 Successors. This Agreement shall be binding upon and inure to the benefit of the Company and any successor of the Company. Except as provided in the preceding sentence, this Agreement, and the rights and obligations of the parties hereunder, are personal and neither this Agreement, nor any right, benefit or obligation of either party hereto, shall be subject to voluntary or involuntary assignment, alienation or transfer, whether by operation of law or otherwise, without the prior written consent of the other party. In addition, any payment owed to Executive hereunder after the date of Executive's death shall be paid to Executive's estate.

10.8 Term. Termination of this Agreement shall not affect any right or obligation of any party which is accrued or vested prior to such termination. Without limiting the scope of the preceding sentence, the provisions of Articles VI, VII, VIII, IX and X shall survive any termination of the employment relationship and/or of this Agreement.

10.9 Entire Agreement. In addition to the Plan, this Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to employment of Executive by the Company. Without limiting the scope of the preceding sentence, all understandings and agreements preceding the date of execution of this Agreement and relating to the subject matter hereof are hereby null and void and of no further force and effect.

10.10 Modification; Waiver. Any modification to or waiver of this Agreement will be effective only if it is in writing and signed by the parties to this Agreement.

10.11 Actions by the Board. Any and all determinations or other actions required of the Board hereunder that relate specifically to Executive's employment by the Company or the terms and conditions of such employment shall be made by the members of the Board other than Executive if Executive is a member of the Board, and Executive shall not have any right to vote or decide upon any such matter.

10.12 Executive's Representations and Warranties. Executive represents and warrants to the Company as follows:

(a) Executive is not bound by any restrictive covenants, covenants not to compete, non-solicitation agreements, or confidentiality agreements nor any other agreement or obligation that would prevent Executive from performing his duties hereunder or that would otherwise conflict with this Agreement.

(b) Executive has not and will not disclose to the Company, or use, or induce the Company to use, any proprietary information or trade secrets of others, including confidential and proprietary information of any previous employer, regardless of whether Executive is prohibited from doing so by any other agreements with any third parties. Executive acknowledges that he has been instructed by the Company not to use, or disclose to anyone employed by or consulting for the Company, any confidential, proprietary, or trade secret information of any third-party. Executive acknowledges that during his employment with the Company, he will not engage in any conduct that violates any lawful obligations he owes to any previous employer or any third party, and Executive represents and warrants that his work for the Company will not cause him to violate any obligations he owes to any previous employer or other party.

(c) To Executive's knowledge, after reasonable inquiry, Executive has returned all proprietary, confidential, and trade secret information belonging to all prior employers that he is or was required to do so.

10.13 Section 409A. This Agreement is intended to comply with the requirements of Section 409A of the Code, and shall be interpreted and construed consistently with such intent. The payments to Executive pursuant to this Agreement are also intended to be exempt from Section 409A of the Code to the maximum extent possible, under either the separation pay exemption pursuant to Treasury regulation §1.409A-1(b)(9)(iii) or as short-term deferrals pursuant to Treasury regulation §1.409A-1(b)(4), and for this purpose each payment shall constitute a "separately identified" amount within the meaning of Treasury Regulation §1.409A-2(b)(2). In the event the terms of this Agreement would subject Executive to taxes or penalties under Section 409A of the Code *("**409A Penalties**"),* the Company and the Executive shall cooperate diligently to amend the terms of this Agreement to avoid such 409A Penalties, to the extent possible; provided that in no event shall the Company be responsible for any 409A Penalties that arise in connection with any amounts payable under this Agreement. Notwithstanding any other provision in this Agreement, if Executive is a "specified employee," as defined in Section 409A of the Code, as of the date of Executive's Date of Termination, then to the extent any amount payable to Executive (i) constitutes the payment of nonqualified deferred compensation, within the meaning of Section 409A of the Code, (ii) is payable upon Executive's separation from service and (iii) under the terms of this Agreement would be payable prior to the six-month anniversary of Executive's Date of Termination, such payment shall be delayed until the earlier to occur of (a) the first business day following the six-month anniversary of the Date of Termination and (b) the date of Executive's death. The right to any reimbursement or in-kind benefit pursuant to this Agreement or otherwise shall not be subject to liquidation or exchange for any other benefit.

10.14 Section 280G. Notwithstanding anything to the contrary contained in this Agreement, in the event that it shall be (or is subsequently) determined that any payment, benefit or acceleration of vesting by the Company to or for the benefit of Executive (whether pursuant to the terms of this Agreement or otherwise) would be subject to the excise tax imposed by Section 4999 of the Code, then the payments and benefits payable to Executive shall be reduced (or appropriately adjusted) to an amount that is one dollar less than the smallest amount that would give rise to such excise tax (the "Reduced Amount") if and only if such Reduced Amount would be greater than the net after-tax proceeds (taking into account both the excise tax and any interest or penalties payable by Executive with respect thereto) of the unreduced payments and benefits payable to Executive. If the payments and benefits payable under this Agreement are required to be reduced pursuant to this Section 10.14, there shall be no discretion in the ordering of the payments payable under this Agreement so reduced, and such reductions shall be applied first to the Severance Payment under Section 6.1(c)(i), and if further reductions are necessary, such reduction shall be applied to the amount of cash payable pursuant to Section 6.1(b)(i) and (ii) attributable to Executive's Annual Bonus, and if further reductions are necessary, such reduction shall be applied on a prorated basis to all the other payments and benefits payable under this Agreement. For the avoidance of doubt, in no event shall the Company be responsible for any excise taxes payable under Section 4999 of the Code.

[Signatures begin on next page.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of May 22, 2020, effective for all purposes as provided above.

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.

By: /s/ Cam MacDonald
Name: Cam MacDonald
Title: Director

ANDREW ROBINSON

By: /s/ Andrew Robinson
Name: Andrew Robinson

[Signature Page to Employment Agreement]

EXHIBIT A

RELEASE AGREEMENT

This Release Agreement (this *"**Agreement**")* constitutes the release referred to in that certain Employment Agreement (the *"**Employment Agreement**")* by and between HIIG SERVICE COMPANY and HOUSTON INTERNATIONAL INSURANCE GROUP, Ltd. *("**HHG**"),* both organized under the laws of the state of Delaware (collectively, the *"**Company**")* and [•] *("**Executive**").*

1. **General Release**.

(a) For good and valuable consideration, including the Company's provision of certain payments and benefits to Executive in accordance with Sections 6.1(c) and 6.1(d) of the Employment Agreement, Executive hereby releases, discharges, and forever acquits the Company, their respective affiliates and subsidiaries, the past, present and future stockholders, members, partners, directors, managers, officers, employees, agents, attorneys, heirs, legal representatives, successors and assigns of the foregoing, as well as all employee benefit plans maintained by the Company or any of its affiliates or subsidiaries and all fiduciaries and administrators of any such plan, in their personal and representative capacities (collectively, the *"**Company Parties**"),* from liability for, and hereby waives, any and all claims, rights, damages, or causes of action of any kind, including but not limited to those related to Executive's employment with any Company Party, the termination of such employment, and any other acts or omissions related to any matter on or prior to the date of this Agreement (collectively, the *"**Released Claims**").*

(b) The Released Claims include, without limitation, those arising under or related to: (i) the Age Discrimination in Employment Act of 1967; (ii) Title VII of the Civil Rights Act of 1964; (iii) the Civil Rights Act of 1991; (iv) sections 1981 through 1988 of Title 42 of the United States Code; (v) the Employee Retirement Income Security Act of 1974, including, but not limited to, sections 502(a)(1)(A), 502(a)(1)(B), 502(a)(2), and 502(a)(3) to the extent the release of such claims is not prohibited by applicable law; (vi) the Immigration Reform Control Act; (vii) the Americans with Disabilities Act of 1990; (viii) the National Labor Relations Act; (ix) the Occupational Safety and Health Act; (x) the Family and Medical Leave Act of 1993; (xi) any state anti-discrimination law; (xii) any state wage and hour law; (xiii) any other local, state or federal law, regulation or ordinance; (xiv) any public policy, contract, tort, or common law; (xv) costs, fees, or other expenses including attorneys' fees incurred in these matters; (xvi) any employment contract, incentive compensation plan or stock option plan with any Company Party or to any ownership interest in any Company Party except as expressly provided in the Employment Agreement and any stock option or other equity compensation agreement between Executive and the Company; and (xvii) compensation or benefits of any kind not expressly set forth in the Employment Agreement, the Company Share Purchase Plan, or any such stock option or other equity compensation agreement.

(c) In no event shall the Released Claims include (i) any claim that arises after the date of this Agreement, or (ii) any claims for the payments and benefits payable to Executive under Section 6.1(a), 6.1(b), 6.1(c), or 6.1(d) of the Employment Agreement.

(d) Notwithstanding this release of liability, nothing in this Agreement prevents Executive from filing any non-legally waivable claim (including a challenge to the validity of this Agreement) with the Equal Employment Opportunity Commission *("**EEOC**")* or comparable state or local agency or participating in any investigation or proceeding conducted by the EEOC or comparable state or local agency; however, Executive understands and agrees that Executive is waiving any and all rights to recover any monetary or personal relief or recovery as a result of such EEOC or comparable state or local agency proceeding or subsequent legal actions.

(e) This Agreement is not intended to indicate that any claims that would constitute Released Claims hereunder exist or that, if they do exist, they are meritorious. Rather, Executive is simply agreeing that, in exchange for the consideration recited in the first sentence of Section 1(a) of this Agreement, any and all potential claims of this nature that Executive may have against the Company Parties, regardless of whether they actually exist, are expressly settled, compromised and waived.

(f) By signing this Agreement, Executive is bound by it. Anyone who succeeds to Executive's rights and responsibilities, such as heirs or the executor of Executive's estate, is also bound by this Agreement. This release also applies to any claims brought by any person or agency or class action under which Executive may have a right or benefit. **THIS RELEASE INCLUDES MATTERS ATTRIBUTABLE TO THE SOLE OR PARTIAL NEGLIGENCE (WHETHER GROSS OR SIMPLE) OR OTHER FAULT, INCLUDING STRICT LIABILITY, OF ANY OF THE COMPANY PARTIES**.

2. **Covenant Not to Sue**. Executive agrees not to bring or join any lawsuit against any of the Company Parties in any court or before any arbitral authority relating to any of the Released Claims. Executive represents that Executive has not brought or joined any lawsuit or arbitration against any of the Company Parties in any court or before any arbitral authority and has made no assignment of any rights Executive has asserted or may have against any of the Company Parties to any person or entity, in each case, with respect to any Released Claims.

3. **Acknowledgments**. By executing and delivering this Agreement, Executive acknowledges that:

(a) Executive has carefully read this Agreement;

(b) Executive is not relying upon statements, understandings, representations, expectations, or agreements other than those expressly set forth in this Agreement;

(c) Executive has had at least [twenty-one (21)] [forty-five (45)] [*45 days must be used in the case of a termination of Executive's employment in connection with an exit incentive program or other employment termination program offered to a group or class of employees*] *days to consider this Agreement before the execution and delivery hereof to the Company* [*Add the following if 45 days applies:*] [*, and Executive acknowledges that attached to this Agreement is a list of (i) the job titles and ages of all employees selected for participation in the employment termination or exit incentive program pursuant to which Executive is being offered this Agreement, (ii) the job titles and ages of all employees in the same job classification or organizational unit who were not selected for participation in the program, and (iii) information about the unit affected by the program, including any eligibility factors for such program and any time limits applicable to such program];*

(d) Executive has been and hereby is advised in writing that Executive may, at Executive's option, discuss this Agreement with an attorney of Executive's choice and that Executive has had adequate opportunity to do so;

(e) Executive knowingly waives any claim that this Agreement was induced by any misrepresentation or nondisclosure and any right to rescind or avoid this Agreement based upon presently existing facts, known or unknown; and

(f) Executive fully understands the final and binding effect of this Agreement; the only promises made to Executive to sign this Agreement are those stated in the Employment Agreement and herein; and Executive is signing this Agreement voluntarily and of Executive's own free will, and that Executive understands and agrees to each of the terms of this Agreement.

The Parties stipulate that the Company is relying upon these representations and warranties in entering into this Agreement. These representations and warranties shall survive the execution of this Agreement.

4. **Revocation Right**. Executive may revoke this Agreement within the seven-day period beginning on the date Executive signs this Agreement (such seven day period being referred to herein as the *"**Release Revocation Period**").* To be effective, such revocation must be in writing signed by Executive and must be delivered to the Board before 11:59 p.m., Central time, on the last day of the Release Revocation Period. This Agreement is not effective, and no consideration shall be paid to Executive, until the expiration of the Release Revocation Period without Executive's revocation. If an effective revocation is delivered in the foregoing manner and timeframe, this Agreement shall be of no force or effect and shall be null and void ab initio.

[Signatures begin on next page.]

Executed on this _____ day of _____, _____.

[EXECUTIVE]

STATE OF _____ §

§

COUNTY OF _____ §

BEFORE ME, the undersigned authority personally appeared_____, by me known or who produced valid identification as described below, who executed the foregoing instrument and acknowledged before me that he subscribed to such instrument on this _____ day of _____, _____.

NOTARY PUBLIC in and for the

State of _____

My Commission Expires: _____

Identification produced:

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

This FIRST AMENDMENT TO EMPLOYMENT AGREEMENT ("First Amendment") is effective as of the 1st day of January, 2022 by and among SKYWARD SPECIALTY INSURANCE GROUP, INC. (f/k/a Houston International Insurance Group, Ltd.), SKYWARD SERVICE COMPANY (f/k/a HIIG Service Company), (together "Company'), and ANDREW ROBINSON, ("Executive").

WITNESSETH:

WHEREAS, the Company and the Executive entered into that certain Employment Agreement effective May 22, 2020, ("Employment Agreement"), establishing terms and conditions of Executive's employment with the Company; and

WHEREAS, the Company and Executive desire to amend certain provisions of the Employment Agreement;

NOW, THEREFORE, in consideration of valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Paragraph 4.1 is amended so that Executive's base salary is no less than $800,000, effective April 1, 2022.

2. Paragraph 4.2 is amended so that Executive's target Annual Bonus shall be 100% of his Base Salary.

3. Paragraph 5.2 is deleted and replaced with the following:

   "Executive shall be eligible to participate in a long-term incentive plan **("LTIP")** as adopted by the Company, the terms and conditions of which shall be determined by the Board in its sole discretion. During Executive's employment, Executive shall be eligible to receive annual incentive awards under the LTIP entitling him to receive performance-based cash compensation and a specified number of Common Shares subject to vesting conditions based on continued employment and/or the attainment of specified performance measures, in each case, as determined by the Board or a committee thereof in its sole discretion (an **"Annual LTI Award"**), it being understood that the target value of each Annual LTI Award shall be at least $900,000 (as determined at the time of the grant), and the amount awarded pursuant to such Annual LTI Award may be zero but in no event shall exceed 150% of LTI award target (as determined at the time of such grant)."

Except as modified by this First Amendment, the Employment Agreement remains unchanged and continues in full force and effect and, along with this First Amendment, constitutes the entire contract and understanding between the parties hereto and supersedes all prior agreements, arrangements and understandings related to this matter.

IN WITNESS WHEREOF, the parties have executed this Lease by their duly authorized agents, effective the 1st day of January, 2022.

COMPANY:

SKYWARD SPECIALTY INSURANCE GROUP, INC.
a Delaware corporation

SKYWARD SERVICE COMPANY
a Delaware corporation

By: /s/Tom Schmitt
Name: Tom Schmitt
Title: Chief People Officer
Date of Execution 6/1/2022

Address for Notices:
800 Gessner, Suite 600
Houston, Texas 77024
Attention: General Counsel

EXECUTIVE:

By: /s/Andrew Robinson
Name: Andrew Robinson
Date of Execution: 6/1/2022

Address for Notices:
800 Gessner, Suite 600
Houston, Texas 77024

Exhibit 10.8

PROMISSORY NOTE

$_____. 00 _____, 2020

Houston, Texas

FOR VALUE RECEIVED, the undersigned, _____ ("Participant"), hereby promises to pay to the order of HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation ("Company"), at its designated office, in lawful money of the United States of America, the principal sum of _____ AND NO/100 DOLLARS ($_____.00), together with interest thereon at the rate set forth below. This Rights Offering Note is being issued in connection with a purchase of Shares pursuant to the 2020 Rights Offering by Houston International Insurance Group, Ltd. (the "Rights Offering") and any capitalized term not defined in this Rights Offering Note shall have the definition provided by the Subscription Agreement.

The outstanding principal balance hereof shall bear interest prior to maturity at a fixed rate per annum equal to the lesser of (a) the Maximum Rate, or (b) _____ percent (__%) per annum. If an Event of Default has occurred and is existing, the principal hereof shall bear interest at the Default Rate. Interest on the indebtedness evidenced by this Rights Offering Note shall be computed on the basis of a year of 365 or 366 days, as the case may be, and the actual number of days elapsed (including the first day but excluding the last day).

Quarterly installments of accrued but unpaid interest on this Rights Offering Note shall be due and payable on the last Business Day of each calendar quarter, commencing with September 30, 2020. Principal in the amount of the lesser of (i) 5% of the outstanding balance on the Rights Offering Note as of December 31st; or (ii) ten percent (10%) of the amount of the net of all cash bonuses or incentive payments received by Participant during the calendar year from Company or any subsidiary of or successor to Company shall be due and payable on or before December 31 of each year through and including December 31, 2020; provided that if Participant has executed any other notes pursuant to any Company equity purchase arrangement, any Principal payments from bonuses shall be deducted only one time and attributed to all outstanding notes pro-rata. All outstanding principal of this Rights Offering Note and all accrued but unpaid interest on this Rights Offering Note shall be due and payable on April 30, 2023.

Participant may prepay this Rights Offering Note at any time without premium or penalty, provided that all such prepayments shall be applied first to interest and then to the principal payments due hereon in inverse order of their maturities.

Upon any distribution or payment (collectively "Distributions") to Participant by, or with respect to the interest of Participant in the Collateral (as such term is defined in the Rights Offering Security Agreement), a mandatory prepayment of outstanding principal and accrued interest on this Rights Offering Note shall be immediately due and payable in the amount of such Distribution; provided, however, that if any other note executed by Participant and payable to the order of Company includes a similar mandatory prepayment provision, then such Distributions shall first be applied to this Rights Offering Note until principal and accrued interest herein is paid in full and then to such other notes, except that Distributions for all notes for the purchase of stock under any Company equity purchase arrangement shall be applied pro-rata to all such notes.

This Rights Offering Note is secured as provided in the Rights Offering Security Agreement.

As used in this Rights Offering Note, the following terms shall have the respective meanings indicated below:

"Business Day" means a day on which Prosperity Bank is open in Houston, Texas.

"Default Rate" means the lesser of (a) twelve percent (12%) per annum, or (b) the Maximum Rate.

"Event of Default" each of the following shall constitute and be deemed an "Event of Default":

a) Participant shall fail to pay this Rights Offering Note or any installment of this Rights Offering Note, whether principal or interest, on the date when due.

b) Participant shall for any reason cease to be an employee of Company or any of its direct or indirect subsidiaries.

c) Any representation or warranty made or deemed made by Participant in any certificate, report, notice, or financial statement furnished at any time in connection with this Rights Offering Note or any Rights Offering Document shall be false, misleading, or erroneous in any material respect when made or deemed to have been made.

d) Participant shall commence a voluntary proceeding seeking liquidation, reorganization, or other relief with respect to him/herself or his/her debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of Participant or a substantial part of his/her property or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against him/her or shall make a general assignment for the benefit of creditors or shall generally fail to pay his/her debts as they become due or shall take any action to authorize any of the foregoing.

e) An involuntary proceeding shall be commenced against Participant seeking liquidation, reorganization, or other relief with respect to Participant or his/her debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for Participant or a substantial part of his/her property, and such involuntary proceeding shall remain undismissed and unstayed for a period of thirty (30) days.

f) This Rights Offering Note or any other Rights Offering Document shall cease to be in full force and effect or shall be declared null and void or the validity or enforceability thereof shall be contested or challenged by Participant, or Participant shall deny that it has any further liability or Oligation hereunder prior to payment in full of all Obligations hereunder, or the security interest created by the Rights Offering Security Agreement shall cease to be a first priority security interest.

g) Participant shall sell or transfer the securities described in the Rights Offering Security Agreement.

h) Company completes a Liquidation or IPO Event while Participant remains an employee or director, provided that the default shall not occur until the date that some or all of the shares purchased pursuant to this Rights Offering Note become transferrable under the terms of some liquidation/ IPO event.

"Liquidation or IPO Event" means the closing of any merger, acquisition, sale of 100% of the common shares of the Company or sale or other disposition of substantially all of the assets of the Company; or the closing of an initial public offering of the common shares of the Company.

"Maximum Rate" means the maximum rate of nonusurious interest permitted from day to day by applicable law, including Chapter 303 of the Texas Finance Code (the "Code") (and as the same may be incorporated by reference in other Texas statutes). To the extent that Chapter 303 of the Code is relevant to any holder of this Rights Offering Note for the purposes of determining the Maximum Rate, each such holder elects to determine such applicable legal rate pursuant to the "weekly ceiling," from time to time in effect, as referred to and defined in Chapter 303 of the Code; subject, however, to the limitations on such applicable ceiling referred to and defined in the Code, and further subject to any right such holder may have subsequently, under applicable law, to change the method of determining the Maximum Rate.

"Obligations" means all obligations, indebtedness, and liabilities of Participant to Company, now existing or hereafter arising, including, without limitation, the obligations, indebtedness, and liabilities of Participant under this Rights Offering Note (including the payment of principal and interest hereon) and the other Rights Offering Documents and all interest accruing thereon and all attorneys' fees and other expenses incurred in the enforcement or collection thereof.

"Rights Offering Documents" means this Rights Offering Note, the Rights Offering Security Agreement, the Rights Offering Subscription Agreement dated March 24, 2020 (the "Subscription Agreement"), and all certificates and other instruments, documents, and agreements, if any, executed and delivered pursuant to or in connection with this Rights Offering Note, as such instruments, documents, and agreements may be amended, modified, renewed, extended, or supplemented from time to time

"Rights Offering Security Agreement" means the 2020 Rights Offering Security Agreement-Pledge dated of even date herewith, executed by Participant for the benefit of Company, as the same may be amended, supplemented, or modified from to time.

The proceeds of this Rights Offering Note shall be used solely for business purposes and this Rights Offering Note was not entered into as a consumer-goods transaction or a consumer transaction.

Participant agrees with Company that Participant will execute and deliver such further instruments as may be requested by Company to carry out the provisions and purposes of this Rights Offering Note and the other Rights Offering Documents and to preserve and perfect the liens of Company in the collateral for this Rights Offering Note.

All notices and other communications provided for in this Rights Offering Note and the other Rights Offering Documents shall be in writing mailed by certified mail return receipt requested, or delivered to the intended recipient at the addresses specified below or at such other address as shall be designated by any party listed below in a notice to the other parties listed below given in accordance with this paragraph.

If to Participant: As specified on Signature Page

If to Company: Houston International Insurance Group, Ltd.
800 Gessner, Suite 600
Houston, Texas 77024
Attn: Legal Department

Except as otherwise provided in this Rights Offering Note or any Rights Offering Document, all such communications shall be deemed to have been duly given, when personally delivered or, in the case of a mailed notice, when duly deposited in overnight mail, in each case given or addressed as aforesaid.

Notwithstanding anything to the contrary contained herein, no provisions of this Rights Offering Note shall require the payment or permit the collection of interest in excess of the Maximum Rate. If any excess of interest in such respect is herein provided for, or shall be adjudicated to be so provided, in this Rights Offering Note or otherwise in connection with this loan transaction, the provisions of this paragraph shall govern and prevail, and neither Participant nor the sureties, guarantors, successors or assigns of Participant shall be obligated to pay the excess amount of such interest, or any other excess sum paid for the use, forbearance or detention of sums loaned pursuant hereto. If for any reason interest in excess of the Maximum Rate shall be deemed charged, required or permitted by any court of competent jurisdiction, any such excess shall be applied as a payment and reduction of the principal of indebtedness evidenced by this Rights Offering Note; and, if the principal amount hereof has been paid in full, any remaining excess shall forthwith be paid to Participant. In determining whether or not the interest paid or payable exceeds the Maximum Rate, Participant and Company shall, to the extent permitted by applicable law, (i) characterize any non-principal payment as an expense, fee, or premium rather than as interest, (ii) exclude voluntary prepayments and the effects thereof, and (iii) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the entire contemplated term of the indebtedness evidenced by this Rights Offering Note so that the interest for the entire term does not exceed the Maximum Rate.

Upon the occurrence of any Event of Default, the holder hereof may, at its option, (i) declare the entire unpaid principal of and accrued interest on this Rights Offering Note immediately due and payable without notice, demand or presentment, all of which are hereby waived, and upon such declaration, the same shall become and shall be immediately due and payable, (ii) foreclose the security interests created by the Rights Offering Security Agreement or any other Rights Offering Document, (iii) offset against this Rights Offering Note any sum or sums owed by the holder hereof to Participant, and (iv) take any and all other actions available to Company under this Rights Offering Note, at law, in equity or otherwise. Failure of the holder hereof to exercise any of the foregoing options shall not constitute a waiver of the right to exercise the same upon the occurrence of a subsequent Event of Default.

In the event that any amount payable under this Agreement is treated as "nonqualified deferred compensation" for purposes of Section 409A of the Internal Revenue Code of 1986, as amended ("Code Section 409A"), this Agreement shall be construed in such a manner so as to comply with the requirements of Code Section 409A. If any provision of this Agreement would cause Participant to occur any additional tax under Code Section 409A, the parties will in good faith attempt to reform the provision in a manner that maintains, to the extent possible, the original intent of the applicable provision without violating the provisions of Code Section 409A. Participant shall be solely responsible for any taxes, interests or penalties that Participant may incur under Code Section 409A.

If the holder hereof expends any effort in any attempt to enforce payment of all or any part or installment of any sum due the holder hereunder, or if this Rights Offering Note is placed in the hands of an attorney for collection, or if it is collected through any legal proceedings, Participant agrees to pay all costs, expenses, and fees incurred by the holder, including all reasonable attorneys' fees.

THIS RIGHTS OFFERING NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS AND THE APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. THIS RIGHTS OFFERING NOTE IS PERFORMABLE IN HARRIS COUNTY, TEXAS.

Participant and each surety, guarantor, endorser, and other party ever liable for payment of any sums of money payable on this Rights Offering Note jointly and severally waive notice, presentment, demand for payment, protest, notice of protest and non-payment or dishonor, notice of acceleration, notice of intent to accelerate, notice of intent to demand, diligence in collecting, grace, and all other formalities of any kind, and consent to all extensions without notice for any period or periods of time and partial payments, before or after maturity, and any impairment of any collateral securing this Rights Offering Note, all without prejudice to the holder. The holder shall similarly have the right to deal in any way, at any time, with one or more of the foregoing parties without notice to any other party, and to grant any such party any extensions of time for payment of any of said indebtedness, or to release or substitute part or all of the collateral securing this Rights Offering Note, or to grant any other indulgences or forbearances whatsoever, without notice to any other party and without in any way affecting the personal liability of any party hereunder.

THIS RIGHTS OFFERING NOTE, AND THE OTHER RIGHTS OFFERING DOCUMENTS REFERRED TO HEREIN EMBODY THE FINAL, ENTIRE AGREEMENT BETWEEN PARTICIPANT AND COMPANY WITH RESPECT TO THE SUBJECT MATTER HEREOF AND THEREOF AND SUPERSEDE ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS, AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF PARTICIPANT AND COMPANY. THERE ARE NO ORAL AGREEMENTS BETWEEN PARTICIPANT AND COMPANY.

Address:

LEASE AGREEMENT

This Lease Agreement ("Lease") is entered into on this 10th day of December 2008 (the "Effective Date"), by and between MEMORIAL CITY TOWERS, LTD., a Texas limited partnership ("Landlord") and SOUTHWEST INSURANCE PARTNERS, INC., a Texas corporation (whether one or more, "Tenant").

ARTICLE 1
Reference Provisions

Section 1.1 The matters set forth in this Article 1 are referred to as the "Reference Provisions". When used herein, the following terms shall have the meanings set forth below:

Leased Premises:	Suite 600, containing approximately 20,382 square feet of Rentable Area within the Building as shown on Exhibit A, and having a mailing address of 800 Gessner, Suite 600, Houston, Texas 77024. The Usable Area of the Leased Premises is stipulated to be 18,962 square feet.
Building:	One Memorial City Plaza, located at 800 Gessner, Houston, Harris County, Texas 77024, and containing approximately 236,038 square feet of Rentable Area. The Usable Area of the Building is stipulated to be 221,836 square feet.
Project:	Memorial City Plaza, consisting of the Building, its surrounding drives and Two Memorial City Plaza, Three Memorial City Plaza and the Parking Facility.
Rent Commencement Date:	The later to occur of (i) Landlord's Tender (as defined in Exhibit C, Paragraph 8) or (ii) January 1, 2009; provided, however, Tenant shall have the right to occupy the space earlier for Tenant's Permitted Use without payment of any Additional Rent for the period prior to the Rent Commencement Date.
Expiration Date:	The last day of the one hundred twentieth (120th) calendar month following the Rent Commencement Date.
Base Rent:	Years 1-5 = $42,462.50 per month Years 6-10 = $45,859.50 per month
Operating Expense Component:	Tenant's Proportionate Share of Operating Expenses in excess of the Operating Expenses per square foot of Rentable Area for the "Base Year" ending March 31, 2009, as set forth in Exhibit D; provided, however, that notwithstanding anything to the contrary contained herein, no Additional Rent for Operating Expenses shall be payable by Tenant over and above those included in the initial Base Rent from the Rent Commencement Date through March 31, 2009.
Security Deposit:	N/A
Construction Allowance:	N/A
Parking:	Up to one hundred one (101) non-reserved parking spaces in One Memorial City Plaza garage (the "Parking Facility"), at a charge of $25.00 per month per non-reserved parking space (the "Parking Charges"), subject to the terms of Exhibit E. Tenant may, from time to time, convert up to twenty (20) of its non-reserved parking spaces to reserved parking spaces in the Parking Facility at a charge of $50.00 per month per reserved parking space, and the Parking Charges shall be modified accordingly.

Permitted Use:	Solely for the purpose of general business offices. In no event shall the Leased Premises be used as a Healthcare facility which utilizes Future Technology that is either (i) then available for use at the Memorial Hermann Memorial City Hospital or which will be available within 180 days pursuant to then existing written expansion plans or other written agreements approved in writing by Memorial Hermann Hospital System (and its successors and assigns, "MHHS") and for which funds have previously been allocated by MHHS, or (ii) prohibited by the then current competitive use policy of MHHS, nor shall the following be permitted in the Leased Premises: (1)in-patient care, (2)medical procedures in which either general anesthesia or conscious sedation are utilized, (3) the use of MRI, CT or PET equipment, or (4) other uses that are not permitted by the then current competitive use policy of MHHS. As used herein, the term "Healthcare" shall mean the prevention, treatment, and management of illness and the preservation of physical well-being through the services offered by the medical and allied health professions for the preservation or improvement of the health of individuals, or the treatment or care of individuals who are injured, sick, disabled, or infirm. As used herein, the term "Future Technology" shall mean technology, equipment, machinery, tools or other means for providing Healthcare services or procedures of any kind, whether preventive, diagnostic, treatment or therapy which is not permitted by the then current competitive use policy of MHHS and which (A) is approved by all applicable governmental or regulatory authorities after July 17, 2006 and authorized or permitted by law to be used in the State of Texas, or (B)is approved by all applicable governmental or regulatory authorities as of July 17, 2006 but was not then authorized or permitted by law to be used in the State of Texas, and becomes authorized or permitted by law to be used in the State of Texas after July 17, 2006.
Guarantor(s):	N/A
Tenant's Notice Address after Rent Commencement Date:	Southwest Insurance Partners,Inc. 800 Gessner, Suite 600 Houston, Texas 77024 Attn.: Managing Director With a copy to: Christopher L. Martin Nathan Sommers Jacobs 2800 Post Oak Boulevard 61st Floor Houston, Texas 77056
Tenant's Notice Address prior to Rent Commencement Date:	Southwest Insurance Partners,Inc. 7941 Katy Freeway, No.518 Houston, Texas 77024 Attn.: President
Landlord's Notice Address:	Memorial City Towers, Ltd. 820 Gessner, Suite 1800 Houston, Texas 77024 Attn: Legal Department
Landlord's Payment Address:	Memorial City Towers,Ltd. P.O.Box 203356 Houston, Texas 77216-3356
Special Provisions:	(1) Provided there is then no uncured Event of Default in existence, Tenant shall be entitled to an abatement of Base Rent in the total amount of $127,387.50 applicable towards the first three (3)months of Base Rent, commencing on the Rent Commencement Date.

(2) Landlord and Tenant further agree that Tenant shall be entitled to an abatement of Parking Charges for the first twenty-four (24) months of the original Term of the Lease for non-reserved parking spaces only.

(3) Tenant is granted a right to terminate the Lease as provided in Exhibit F, Paragraph 1.

(4) Tenant is granted one (1) option to extend the Term for five (5) years as provided in Exhibit F, Paragraph 2.

(5) Tenant is granted a right of first refusal to lease space on the seventh (7^{th}) floor of the Building as provided in Exhibit F, Paragraph 3.

Exhibits:

A — Leased Premises
B — Rules
C — Construction
D — Operating Expenses
E — Parking
F — Special Provisions

Section 1.2 In the event of any conflict between these Reference Provisions on the one hand and the balance of this Lease on the other, the latter shall control. Each of the foregoing Reference Provisions shall be construed in conjunction with the references thereto contained in the other provisions of this Lease and shall be limited by such other provisions. Each reference in this Lease to any of the foregoing Reference Provisions shall be construed to incorporate each term set forth above under such Reference Provision.

Section 1.3 Index of Defined Terms. Definitions for selected terms in this Lease may be found where set forth below.

ARTICLE 2
Leased Premises

Section 2.1 Leased Premises. In consideration of the payment of Rent and the performance of the covenants contained herein by Tenant and subject to the terms hereinafter set forth, Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, upon and subject to the terms and provisions of this Lease, the "Leased Premises" described in the Reference Provisions. The Leased Premises consists of the space within the walls, floor and ceiling or drop ceiling, if any. Notwithstanding the foregoing, Landlord expressly reserves: the roof and exterior faces of the walls of the Leased Premises and the land or lower surface of the floor or slab under the Leased Premises; the right to install, maintain, use, repair, relocate and replace (in such manner as not to interfere materially with Tenant's use of the Leased Premises for the Permitted Use) utility lines, pipes, conduits, wires and other interconnecting utility facilities over and under the Leased Premises to serve the other premises in the Building; an easement above Tenant's finished ceiling to the roof, or to the bottom of the floor deck above the Leased Premises, for general access purposes and in connection with the exercise of Landlord's other rights under this Lease.

Section 2.2 Definition of Rentable Area.

(a) The term "Rentable Area" shall mean all floor areas within the Building determined by adding together the following:

(i) The Usable Area (as defined below) of the area being measured; and

(ii) The portion of the Service Areas (as defined below) allocable to the area being measured; and

(iii) The portion of the Building Common Areas (as defined below) allocable to the area being measured; and

(iv) The portion of the Floor Common Areas (as defined below) allocable to the area being measured.

(b) "Usable Area" means the square footage of all floor area within the premises being measured, as measured from the inside surface of the outer glass, finished column or exterior wall of the Building enclosing the premises to the inside surface of the opposite outer glass, finished column or exterior wall, or to the mid point of the demising walls separating the premises from (i) areas leased to or held for lease to other tenants, (ii) the finish surface of the office side of corridor and other permanent walls at Building Common Areas, (iii) Floor Common Areas, and (iv) Service Areas (all as defined below), as the case may be. No deductions from Usable Area shall be made for columns or projections necessary to the Building. The Usable Area of the Leased Premises is stipulated to be 18,962 square feet.

(c) "Service Areas" means the square footage of the areas within (and measured from the finish surface of the office side of the walls enclosing) the Building's stairs, fire towers, elevator shafts, flues, vents, stacks, pipe shafts, vertical ducts and other vertical penetrations. The allocation of the Service Areas to each premises within the Building (including the Leased Premises) shall be equal to the total Building Service Areas within the Building multiplied by a fraction, the numerator of which is the Usable Area of the subject premises and the denominator of which is the Usable Area of the Building. Areas for the specific use of any tenant and installed at the request of such tenant such as special stairs or elevators are not included within the definition of Service Areas (i.e., such areas will be included in the Usable Area of the space being measured).

(d) "Building Common Areas" means the square footage of the areas within (and measured from the finish surface of the office side of the walls enclosing) the Building's elevator machine rooms, main mechanical and electrical rooms, public lobbies, and other areas not leased or held for lease within the Building but which are necessary or desirable for the proper utilization of the Building or to provide customary services to the Building. The allocation to each premises within the Building of the Building Common Areas shall be equal to the total Building Common Areas within the Building (excluding the Floor Common Areas multiplied by a fraction, the numerator of which is the Usable Area of the subject premises and the denominator of which is the Usable Area of the Building.

(e) "Floor Common Areas" means the square footage of the areas within (and measured from the finish surface of the office side of the walls enclosing) public corridors, elevator foyers, rest rooms, mechanical rooms, janitor closets, telephone and equipment rooms, and other similar facilities for the use of all tenants on each floor of the Building. In the case of a floor leased to more than one tenant, the allocation of the Floor Common Areas to each premises on said floor shall be equal to the total Floor Common Areas on said floor multiplied by a fraction, the numerator of which is the Usable Area of the premises located on said floor and the denominator of which is the total Usable Area of said floor.

(f) The Rentable Area of the Leased Premises and the Building has been calculated on the basis of the foregoing definitions, and is stipulated for all purposes to be the number of square feet for same specified in the Reference Provisions, whether the same should be more or less (unless the same changes as a result of future changes affecting the Building) as a result of minor variations, including minor variations in the Rentable Area resulting from actual construction and completion of the Leased Premises for occupancy so long as such work is in accordance with the terms and provisions of this Lease. The Rentable Area of the Building shall exclude any basement area in the Building. Notwithstanding the foregoing, the combined portions of the Floor Common Areas, Service Areas and Building Common Area allocated to the Usable Area for each leased premises now or hereafter occupied by Tenant in the Building during the Term of this Lease is stipulated to be 10.50% for occupancy of a full floor and 17.50% for occupancy of a multi-tenant floor.

ARTICLE 3
Term; Quiet Enjoyment

Section 3.1 **Term**. The "Term" of this Lease shall commence on the date of execution hereof and shall expire at 11:59 p.m. on the Expiration Date set forth in the Reference Provisions. Upon Landlord's written request, Tenant shall execute an instrument which states the Rent Commencement Date, Expiration Date and other matters related thereto.

Section 3.2 **Covenant of Quiet Enjoyment**. Tenant, subject to the terms and provisions of this Lease, its payment of Rent and its observing, keeping and performing all of the terms and provisions required of it, shall lawfully, peaceably and quietly have, hold, occupy and enjoy the Leased Premises during that portion of the Term following Landlord's Tender without hindrance or ejection by any persons lawfully claiming under Landlord (but not otherwise), subject to all matters of record and all laws, ordinances, rules and regulations of any governmental body or agency.

ARTICLE 4
Rent

Section 4.1 **Rent.** Beginning on the Rent Commencement Date, Tenant covenants to pay Landlord rent for the Leased Premises, in lawful money of the United State of America, the "Base Rent" set forth in the Reference Provisions, payable monthly in advance on the first day of each calendar month for each and every month in the term of this Lease. The term "Rent" shall mean all Base Rent, Additional Rent and all other sums to be paid by Tenant to Landlord. Tenant covenants to pay all Rent without deduction or offset, prior notice or demand, and at Landlord's Payment Address set forth in the Reference Provisions or such other place or places as may be designated from time to time by Landlord. If the Rent Commencement Date does not fall on the first day of a calendar month or the Term does not expire on the last day of a calendar month, Tenant will, in lieu of a full month's Rent, pay in advance a pro rata part of such sum as Rent for such partial month.

Section 4.2 **Additional Rent.** In addition to Base Rent, Tenant agrees to pay as "Additional Rent" the amounts with respect to the Operating Expense Component that are set forth in Exhibit D. "Additional Rent" shall also mean all other charges, expenses (other than Base Rent) or other items required to be paid by Tenant hereunder including, without limitation, those pertaining to taxes, insurance or maintenance or arising from an Event of Default or Landlord's performance of any obligation of Tenant. Other provisions of this Lease require Tenant to pay to Landlord various charges, expenses and other items on or before expiration of the Payment Window. For any of such charges, expenses and other items, the term "Payment Window" shall mean a period of time beginning on the date Landlord sends Tenant a bill or otherwise requests payment in writing of such item (which may in this instance be sent via regular mail, facsimile or other unofficial means) and ending on that date which is ten (10) days after receipt of same by Tenant.

Section 4.3 **Late Payment Processing Fee.** If (a) any payment of Base Rent or other Rent which is due simultaneously as such payment of Base Rent is not received by Landlord on or before the tenth (10^{th}) day of the month or (b) any other payment of Rent is not received by Landlord within ten (10) days after the last day of the Payment Window applicable to such payment, Tenant shall also pay to Landlord a late payment processing fee equal to the greater of (i) three percent (3%) of the amount of such delinquent Rent or (ii) One Hundred Fifty Dollars ($150.00). Since the exact damage incurred by Landlord on account of any such late payment is difficult to ascertain, the parties acknowledge and stipulate that this amount is a reasonable estimate of the cost and expense incurred by Landlord processing and otherwise handling late payments of Rent. The parties further stipulate that this late payment processing fee does not constitute interest or compensation for the use, forbearance or detention of money. The payment or assessment of a late payment processing fee shall not excuse Tenant from the timely payment of Rent. If such amounts of delinquent Rent are not paid within ten (10) days after written notice from Landlord, such amounts may also bear interest at the Stipulated Interest Rate in accordance with the other provisions hereof.

Section 4.4 **Security Deposit.** [Intentionally deleted].

ARTICLE 5
Condition of the Leased Premises

Subject to the representations of Landlord in Section 16.10 hereof, Landlord shall tender and Tenant shall accept the Leased Premises on the date of Landlord's Tender in their then current AS-IS, WHERE-IS condition, with all faults, including both patent and latent defects, and Tenant taking possession of the Leased Premises shall be conclusive evidence of the foregoing; provided, however, notwithstanding the foregoing, Tenant does not waive the right to cause Landlord to (a) correct any defects in Landlord's Work, (b) complete any punch-list items in accordance with the terms of the Exhibit C, and (c) comply with Landlord's repair and maintenance obligations under this Lease. **Additionally, Tenant acknowledges that neither Landlord nor any agent of Landlord has made (the same being expressly DISCLAIMED) any representation or warranty, implied or express, regarding the habitability, condition, merchantability, fitness or suitability of the Project, the Building, the Leased Premises or any construction, fixtures or personal property leasehold improvements.** Except where expressly provided in this Lease to the contrary, Tenant's obligation to pay Rent is not dependent upon the condition of the Leased Premises or the performance by Landlord of its obligations under this Lease and Tenant shall continue to pay Rent, without demand, abatement, deduction, offset or counterclaim, notwithstanding any breach by Landlord or Tenant of any of their respective duties and obligations under this Lease, whether express or implied.

ARTICLE 6
Building Services; Utilities

Section 6.1 While Tenant is occupying the Leased Premises, Landlord shall furnish the following services, the costs of which are to be included as Operating Expenses; provided, however, to the extent the services described below require electricity, gas, water, sewer or other utilities, Landlord shall only be obligated to use reasonable efforts to cause the providers of such utilities to furnish such services, and Landlord's obligations under this Section 6.1 shall be subject to any curtailment of such services or utilities and any other cause beyond Landlord's control:

(a) Water (hot and cold) at those points of supply provided for general use of tenants and occupants of the Building. Water supplied to the Leased Premises and Building shall be billed as an Operating Expense and allocated to the Leased Premises as provided in Exhibit D.

(b) Central air conditioning ventilation and heating, in season, from 7:00 a.m. to 6:00 p.m. Monday through Friday, and from 8:00 a.m. to 12:00 p.m. on Saturday (collectively, the "Building Hours") by prior written request (which may be delivered by electronic mail) from Tenant to Landlord (but in all cases excluding New Year's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day (collectively, the "Building Holidays") at such temperatures and in such amounts as are generally standard for the Building. Landlord shall, upon at least two (2) hours prior written request from Tenant (or as otherwise directed by Building management for service during Building Holidays), supply such central air conditioning and heating at such temperatures and in such amounts as are generally standard for the Building for such additional hours or days as Tenant may from time to time designate in writing. Tenant shall pay Landlord, prior to the expiration of the Payment Window, the cost for such additional air conditioning and heating currently at the rate of $48.00 per hour, which rate is subject to change by Landlord. In no event shall the additional air conditioning or heating rate charged to Tenant exceed the lowest rate charged to any other tenant in the Building.

(c) Non-exclusive automatic passenger elevator service to the floor on which the Leased Premises are located twenty-four (24) hours per day, seven (7) days per week, and non-exclusive freight elevator service during the Building Hours and at such other reasonable times as Tenant may from time to time reasonably request in writing (but in no event less than two (2) hours prior written request from Tenant or as otherwise directed by Building management for use during Building Holidays) subject to Landlord's reasonable approval of the scheduling thereof.

(d) Janitorial services on all days except Saturdays, Sundays and Building Holidays; provided, however, if any of Tenant's floor coverings or other improvements are composed or constructed of materials other than Building Standard and which require special cleaning, Tenant shall pay Landlord, prior to the expiration of the Payment Window, the additional cleaning cost (as determined by an estimate or invoice of the cost therefore from the company providing such janitorial services) attributable thereto plus Landlord's Overhead Recovery.

(e) Electrical facilities sufficient for a connected load of seven (7) watts (combined three-phase low and high voltage) per square foot of Rentable Area served (the "Building Standard Rated Electrical Design Load").

(i) Should Tenant's total rated electrical design load or Tenant's electrical design require additional panels or low voltage or high voltage circuits in excess of the Building standard circuits currently existing in the Leased Premises, Landlord will, at the option of Landlord, install (at Tenant's sole cost and expense) or require Tenant to install at Tenant's sole cost and expense, additional low voltage panels with associated transformers, switches, wiring and conduit (such additional panels, transformers, switches, wiring, conduit and any related equipment is collectively referred to as the "Additional Electrical Equipment"). If the Additional Electrical Equipment is installed, then a submeter (of a type selected by Landlord) shall also be added by Landlord, at Tenant's sole cost and expense (including Landlord's Overhead Recovery), to measure the electricity used through the Additional Electrical Equipment.

(ii) The design and installation of any Additional Electrical Equipment (as well as any related submeters) required by Tenant shall be subject to the provisions of Section 8.3. All expenses incurred by Landlord in connection with the review and approval of any Additional Electrical Equipment (as well as any related submeters) shall also be reimbursed to Landlord by Tenant on or before expiration of the Payment Window. Tenant shall also pay to Landlord prior to the expiration of the Payment Window the metered cost of electricity consumed through the Additional Electrical Equipment, if applicable, plus any actual, out-of-pocket accounting and administrative expenses incurred by Landlord in connection with the metering thereof, which shall, in no event, exceed five percent (5%) of the metered cost of electricity.

(iii) If any of Tenant's electrical equipment require conditioned air in excess of Building standard air conditioning, then Landlord may, but shall not be obligated to, install the equipment that Landlords deems necessary for such excess air conditioning, and Tenant shall pay to Landlord, prior to the expiration of the Payment Window, all costs and expenses incurred from time to time in connection with such excess air conditioning equipment, including, without limitation, all costs and expenses relating to the design, installation, metering and operation thereof, including payment of Landlord's Overhead Recovery. Notwithstanding the foregoing sentence, all connections into the existing life safety and fire alarm systems into the base Building shall be completed by Landlord at Tenant's sole cost and expense, including the payment of Landlord's Overhead Recovery, and all other connections into a base Building system shall be completed by Landlord at Tenant's sole cost and expense, including the payment of Landlord's Overhead Recovery.

(iv) Additionally, in the event that Landlord reasonably suspects that Tenant's low voltage electricity usage exceeds 0.70 kilowatt hours per month per square foot of Rentable Area, then a submeter (of a type selected by Landlord) shall also be added by Landlord, at Tenant's sole cost and expense (including Landlord's Overhead Recovery), to measure the low voltage electricity used by Tenant. High voltage power consumption for Building Standard lighting will not be metered unless the Building Standard for lighting (defined as one recessed fluorescent lighting fixture for each 80 square feet of Usable Area in the Leased Premises) is exceeded. Tenant shall also pay to Landlord prior to the expiration of the Payment Window the metered cost of any such excess electricity consumed, plus any accounting and administrative expenses incurred by Landlord in connection with the metering thereof.

(f) All fluorescent bulb and ballast replacement for Building Standard lighting in all areas and all incandescent bulb replacement in all Building corridors, lobbies, rest rooms, janitor closets, Service Areas and other areas not for the exclusive use of any particular tenant.

Section 6.2 No interruption or malfunction of any of the services listed in Section 6.1 shall constitute an eviction or disturbance of Tenant's use and possession of the Leased Premises or Building or a breach by Landlord of any of its obligations hereunder or render Landlord liable for damages or entitle Tenant to be relieved from any of its obligations hereunder (including the obligation to pay Rent) or grant Tenant any right of setoff or recoupment, unless an essential service to substantially all the Leased Premises (the essential services being defined as electricity, water or air conditioning service) is interrupted due to the act or omission of Landlord, its agents, employees and/or contractors, in which event if there is an interruption to essential services which reasonably prevents Tenant's use and enjoyment of the Leased Premises for the use permitted hereunder, (a) Base Rental and Tenant's share of Building Operating Costs shall abate commensurate with the portion of the Leased Premises Tenant is unable to use as a result of such interruption, calculated on a per square foot basis, commencing at the beginning of the third (3rd) consecutive day of such interruption and continuing until such services are resumed and (b) after thirty (30) consecutive days of an interruption to essential services Tenant may terminate this Lease by written notice to Landlord with the same effect as if it were the stated expiration hereof, but otherwise any other rights or remedies Tenant may have against Landlord with respect to any interruption or malfunction of the foregoing services are hereby waived. In the event of any such interruption, however, Landlord shall use commercially reasonable diligence to restore such service, in any circumstances in which such restoration is within the reasonable control of Landlord.

ARTICLE 7
COMMON AREAS; PARKING

Section 7.1 **Description of Common Areas**. All areas, space, facilities, equipment, and signs, designated by Landlord for the common and joint use and benefit of Tenant, and/or other tenants or occupants of the Building, and/or their respective employees, agents, subtenants, concessionaires, licensees, customers and/or other invitees, are collectively referred to herein as the "Common Areas". The Common Areas shall include, but not be limited to, the sidewalks, parking areas, access roads, drives, driveways, parking decks, bridges, landscaped areas, truck service ways, loading docks, pedestrian walkways providing access to the Leased Premises, courts, utility lines, ground floor lobby areas of the Building, Floor Common Areas, and the Parking Facility as such generally exist on the date of this Lease.

Section 7.2 Control of Common Areas by Landlord.

(a) All Common Areas shall at all times be subject to the exclusive but reasonable control and management of Landlord. Landlord shall operate, manage, equip, light, surface and maintain the Common Areas all in such manner as Landlord, in its sole but reasonable discretion, may from time to time determine consistent with other Class A office buildings in the Katy Freeway area of suburban west Houston, Harris County, Texas. Without limiting the scope of such discretion, Landlord shall have the sole right and exclusive authority from time to time to employ and discharge all personnel with respect thereto and to establish, modify and enforce rules and regulations with respect to the Common Areas for the proper and efficient use, operation and maintenance of the Common Areas, which rules and regulations may include the hours during which the Common Areas will be open for use (provided the hours designated for such use shall not preclude use of the Parking Facility or access to the Leased Premises). Tenant shall abide by and conform with such rules and regulations; cause its concessionaires, suppliers, agents, officers, directors, shareholders, employees and contractors so to abide and conform; and use its best efforts to cause its customers and invitees so to abide and conform. WITHOUT LIMITING THE FOREGOING, LANDLORD MAY PROVIDE SUCH SECURITY SERVICES, PERSONNEL, EQUIPMENT, SYSTEMS OR PROCEDURES AS LANDLORD MAY FROM TIME TO TIME THEN DEEM TO BE APPROPRIATE. NOTWITHSTANDING ANYTHING CONTAINED IN THIS LEASE TO THE CONTRARY, TENANT ACKNOWLEDGES AND AGREES THAT LANDLORD IS NOT WARRANTING THE EFFICACY OF ANY SUCH SECURITY, SERVICES, PERSONNEL, EQUIPMENT, SYSTEMS OR PROCEDURES, AND THAT TENANT IS NOT RELYING AND SHALL NOT HEREAFTER RELY ON ANY SUCH SERVICES, PERSONNEL, EQUIPMENT, SYSTEMS OR PROCEDURES. LANDLORD SHALL NOT BE RESPONSIBLE OR LIABLE IN ANY MANNER, UNLESS RESULTING FROM THE WILLFUL MISCONDUCT OF LANDLORD, ITS EMPLOYEES OR AGENTS, FOR FAILURE OF ANY SUCH SECURITY SERVICES, PERSONNEL, EQUIPMENT, SYSTEMS OR PROCEDURES, TO PREVENT OR CONTROL CRIMINAL OR SUSPICIOUS ACTIVITY IN, ON, AROUND OR NEAR THE BUILDING OR PROJECT. Tenant agrees to look solely to police and other governmental agencies for personal safety and the safety of Tenant's belongings.

(b) Without limiting Section 7.2(a), Landlord shall have the right to: construct, maintain and operate lighting and other facilities, equipment and signs, in and on the Common Areas; from time to time change the size, area, level, location and arrangement of the Common Areas provided Tenant's use of the Leased Premises and Parking Facility are not materially and adversely affected; dedicate to public use all or part of the access roads and utility lines and necessary easements appurtenant thereto; use and allow others to use the Common Areas for any purpose or prohibit any use by others; construct additional levels, buildings or improvements on the Common Areas or add or delete stories on any building; construct walls, roofs or other improvements over or in connection with any part of the Common Areas; construct multilevel or underground parking, restrict parking by tenants and their employees to designated employee parking areas as hereafter stated; enforce parking charges (by operation of meters or otherwise) with appropriate provisions for free parking ticket validating by tenants and other occupants; temporarily close all or any portion of the Common Areas to such extent as may, in the opinion of Landlord's counsel, be advisable to prevent a dedication thereof or the accrual of any rights to any person or the public therein; segregate all or any portion of the parking areas or parking facilities to discourage parking by those not authorized to do so; and do and perform such other acts in and to the Common Areas as the Landlord, in its sole reasonable discretion, shall determine to be advisable with a view to the improvement of the Building and the convenience and use thereof by tenants and other occupants of the Building and Project, and their respective agents, employees and customers. Notwithstanding the foregoing, Landlord shall use commercially reasonable efforts to minimize any negative, monetary impact to Tenant's business resulting from Landlord's actions pursuant to this Section 7.2(a). Landlord shall have the right at any time and from time to time to change the Building name.

Section 7.3 License. Tenant is hereby granted for the term of the Lease a non-exclusive license to use the Common Areas, as they may exist from time to time, for their respective intended purposes, in common with others to whom Landlord has granted or may hereafter grant rights to use same. The size, area, level, location or arrangement of such Common Areas or type of facilities at any time forming a part thereof may be changed, altered, rearranged or diminished provided Tenant's access to and use of the Leased Premises and Parking Facility is not materially and adversely affected by such change, alteration, rearrangement or diminution, and Landlord shall not be subject to any liability therefor nor shall Tenant be entitled to any compensation or diminution or abatement of Rent (except as otherwise expressly provided elsewhere herein in the event of damage or condemnation), nor shall such alteration, rearrangement, revocation, change or diminution of the Common Areas be deemed constructive or actual eviction or otherwise be grounds for the termination or modification of this Lease. Tenant shall keep the Common Areas free and clear of any obstructions created or permitted by Tenant or resulting from Tenant's occupancy of the Leased Premises.

Section 7.4 **The Project.** The term "Project" shall mean the entire development described in the Reference Provisions, including any and all proposed structures, parking facilities, common facilities and the like built and to be built on the aforementioned tract of land, as the same may from time to time be reduced by eminent domain takings or dedications to public authorities, or increased by the addition of other improvements or other lands together with structures and the like thereon which may from time to time be designated by Landlord by written notice to the Tenant as part of the Project. Landlord expressly reserves the right, from time to time, to add, remove or alter improvements and property to or from the Project and accordingly Landlord shall not be bound by any specific configuration of the Project or the Common Areas as same exist now or in the future provided there is no material and adverse change in access to the Leased Premises from parking facilities and no material dilution of the ratio of parking spaces to Usable Square Feet in the Project. Tenant expressly acknowledges that Tenant's rights and duties under this Lease are independent of and bear no relation to the existence or operation of any other tenant and/or other occupier in the Project or on surrounding tracts.

Section 7.5 **Parking**. Tenant's parking rights are set forth in Exhibit E.

ARTICLE 8
REPAIRS, MAINTENANCE, ALTERATIONS, ACCESS

Section 8.1 **Landlord's Responsibilities**. Landlord shall at all times, at its sole cost and expense, keep, replace and maintain in good condition, order and repair the Project, including the Building, Parking Facility and Common Areas, in a manner consistent with first class office buildings in the west Houston area. All repairs, alterations or additions that affect the Common Areas, the Building's structural components, roof, slab, foundation, exterior walls and finish, exterior windows, doors and plate glass, and major mechanical, electrical, telecommunication and plumbing systems shall be made by Landlord, at its sole cost and. In the case of any damage to such components or systems caused by Tenant or Tenant's employees, contractors, officers, partners, shareholders, or agents (collectively, "Tenant's Permittees"), and any such costs, to the extent not insured (or required to be insured hereunder), shall be paid by Tenant and such repair work shall be made by Landlord. Unless otherwise provided in this Lease, Landlord shall not be required to make any improvements to or repairs of any kind or character to the Leased Premises during the Term, except such repairs to Building Standard improvements as may be deemed necessary by Landlord for normal maintenance (which maintenance shall not include painting, carpeting or decorating, or replacements, repairs or maintenance of leasehold improvements), any damage caused by Landlord, its agents, employees or contractors, and any repairs or alterations necessary to cause the Building (including those portions of the Leased Premises which would otherwise be part of the Floor Common Areas on a multi-tenant floor, or which will remain as part of the Building upon termination of this Lease) to be in compliance with all federal, state and local laws, ordinances, rules, regulations and guidelines promulgated thereunder with respect to the structure, safety and accessibility to the Building, including, without limitation, the Texas Accessibility Standards ("TAS"), the Americans With Disabilities Act (42 U.S.C. §12101 et seq.) ("ADA"), the Accessibility Guidelines for Buildings and Facilities ("ADAAG") and the Texas Elimination of Architectural Barriers Act ("TEABA"), as any of the same may be amended or replaced from time to time (the "Accessibility Laws"). Tenant will promptly give Landlord written notice of any matter affecting the Leased Premises requiring repair by Landlord pursuant to this Section 8.1.

Section 8.2 **Tenant's Responsibilities**. Subject to Section 8.1, Tenant shall, at its expense, (a) maintain and repair the Leased Premises and otherwise keep the Leased Premises in clean condition and in good order and repair (ordinary wear and tear excepted) and (b) repair or replace any damage to the Project, or any part thereof, caused by Tenant or any of Tenant's Permittees; provided, however, that (i) Tenant must obtain Landlord's prior written consent prior to beginning any such repair or replacement, (ii) all workmen, artisans, and contractors employed for such purposes shall be obtained through or specifically approved by Landlord in its sole discretion prior to the commencement of any work in the Project and (iii) such workmen, artisans and mechanics must furnish evidence of insurance acceptable in all respects to Landlord prior to the commencement of any work in the Project and comply with any other requirements that Landlord may deem appropriate. If Tenant fails to make such repairs or replacements promptly, Landlord may, at its option, make repairs or replacements, and Tenant shall repay the cost thereof plus Landlord's Overhead Recovery on or before expiration of the Payment Window. Upon termination or expiration of this Lease, Tenant will surrender and deliver up the Leased Premises to Landlord in the same condition in which they existed at Landlord's Tender, excepting only permissible alterations and ordinary wear and tear not required to be repaired by Tenant and damage arising from any cause not required to be repaired by Tenant.

Section 8.3 **Alterations, Improvements, Additions, Fixtures and Property**. Except as otherwise provided in this Lease, Tenant shall not perform any construction in or make or allow to be made any alterations, improvements or physical additions in or to the Leased Premises, or place safes, vaults, or other heavy furniture or equipment within the Leased Premises; provided, however, that if Tenant shall desire to do any of the foregoing then (i) Tenant must first submit plans for the same to Landlord for Landlord's prior approval in form and detail reasonably requested by Landlord, and Tenant must construct the same in strict accordance with the plans approved by Landlord and any criteria promulgated by Landlord in connection therewith, (ii) Tenant must get Landlord's prior written consent prior to beginning any such construction, alteration, improvement, addition or placement, such consent to be given at Landlord's sole but reasonable discretion, (iii) all workmen, artisans, and contractors employed for such purposes shall be obtained through or specifically approved by Landlord in its sole discretion prior to the commencement of any work in the Project and (iv) such workmen, artisans and mechanics must furnish evidence of insurance acceptable in all respects to Landlord prior to the commencement of any work in the Project and comply with any other requirements that Landlord may deem appropriate. All alterations, physical additions, and improvements in or to the Leased Premises (excluding trade fixtures) shall, at the option of Landlord, exercisable at any time during or after the Term, either become the property of Landlord and shall be surrendered to Landlord without compensation to Tenant upon termination or expiration of this Lease, whether by lapse of time or Otherwise. At the end of the Term Tenant shall remove its easily removable fixtures, equipment, furniture and other personal property owned by Tenant or leased from a party other than Landlord or its affiliates unless an Event of Default (or an event which would constitute an Event of Default except that the applicable cure period had not yet elapsed) shall have occurred, in which event Tenant shall at the option of Landlord, exercisable by Landlord at any time, either (a) not have the right to remove such fixtures, equipment, furniture and other personal property, excluding items not owned or leased by Tenant, files, computer equipment and servers which may contain confidential information, or (b) be required to remove such fixtures, equipment, furniture and other personal property. Tenant shall bear the costs of all removal of Tenant's property, and Tenant shall bear the cost of repairing any damage to the Leased Premises, the Building or the Project caused by such removal (including Landlord's Overhead Recovery). Tenant agrees that any cabling or wiring installed in the Leased Premises, the Building or the Project which serves the Leased Premises and which was installed by or at the request of Tenant shall meet the requirements of the National Electric Code, as amended, or as the same may be adopted by the City of Houston. In connection therewith, upon the expiration or earlier termination of the Term, Tenant agrees that it will remove all wiring and cabling installed in the Leased Premises, the Building or the Project which serves the Leased Premises and which was installed by or at the request of Tenant, unless Landlord shall expressly permit in writing for such wiring and cabling to remain in the Leased Premises, the Building or the Project, as applicable. If Tenant fails to so remove this wiring, Tenant shall reimburse Landlord the cost to have the same removed, and this obligation shall survive the expiration or earlier termination of the Lease. If any personal property not belonging to Landlord remains in the Leased Premises after the expiration of the term of this Lease, Tenant hereby authorizes Landlord to make such disposition of such property as Landlord may desire without liability for compensation or damages to Tenant in the event that such property is the property of Tenant and in the event that such property is the property of someone other than Tenant and Tenant agrees to indemnify, defend and hold Landlord harmless from all suits, actions, liability, loss, damages and expenses in connection with or incident to any removal, exercise or dominion over and/or disposition of such property by Landlord **EVEN IF LANDLORD IS NEGLIGENT IN CONNECTION THEREWITH. THE FOREGOING INDEMNIFIES LANDLORD IN THE EVENT OF ITS OWN ORDINARY NEGLIGENCE (BUT NOT ITS GROSS NEGLIGENCE OR WILLFUL MISCONDUCT).**

Section 8.4 **Landlord's Consent**. In any instance referred to in Sections 8.2 and 8.3 where Landlord grants its consent, Landlord may grant such consent contingent and conditioned upon Tenant's contractors, laborers, materialmen and others furnishing labor or materials for Tenant's job working in harmony and not interfering with any labor utilized by Landlord, Landlord's contractors or mechanics or by any other tenant or such other tenant's contractors or mechanics; and if at any time such entry by one or more persons furnishing labor or materials for Tenant's work shall cause disharmony or interference, the consent granted by Landlord to Tenant may be limited or conditioned.

Section 8.5 **Mechanics' and Materialmen's Liens**. Tenant shall not permit a lien or claim to attach to the Leased Premises, Building or Project and shall promptly cause the lien or claim to be released or bonded off the Leased Premises, Building or Project. If Tenant contests the lien or claim, Tenant shall defend and indemnify Landlord and, if requested, deposit with Landlord a surety bond in a form and with a company satisfactory to Landlord in an amount sufficient to bond off the contested lien or claim in accordance with Section 53.171 et *seq.* of the Texas Property Code. If Tenant shall fail to cause a lien to be discharged or bonded off, within thirty (30) days (such thirty (30) days being a part of, and not separate from or in addition to, the number of days referred to in Section 13.1(b)) after being notified of the filing of the lien, in addition to any other right or remedy, Landlord may discharge the lien by paying the amount claimed to be due or Landlord may bond off the lien as provided in the previous sentence. The amount paid by Landlord, together with Landlord's Overhead Recovery and interest at the Stipulated Interest Rate and all costs and expenses, including reasonable attorneys' fees incurred by Landlord, shall be due and payable by Tenant to Landlord on or before the expiration of the Payment Window. Tenant shall immediately give Landlord written notice of the recording of a lien against the Leased Premises, the Building or Project arising out of work done by or at the direction of Tenant.

Section 8.6 **Landlord's Access.** Landlord and Landlord's employees, contractors, business invitees, officers, partners, shareholders or agents (collectively, "Landlord's Permittees"), shall have access to and the right to enter upon the Leased Premises accompanied by a representative of Tenant at any reasonable time after not less than 24 hours written notice to Tenant (except in the event of an emergency in which event Landlord shall provide such notice as is reasonably possible) to examine the condition thereof, to make any repairs or alterations required or permitted to be made by Landlord hereunder, irrespective of whether the same shall be for the Leased Premises or other parts of the Building (which repairs or alterations may necessitate a temporary interruption in Tenant's use of the Leased Premises, but the same shall not constitute an eviction or disturbance of Tenant's use and possession of the Leased Premises or Building or a breach by Landlord of any of its obligations hereunder or render Landlord liable for damages or entitle Tenant to be relieved from any of its obligations hereunder (including the obligation to pay Rent except as provided otherwise in Section 6.2 above) or grant Tenant any right of setoff or recoupment), to show the Leased Premises to prospective purchasers or tenants and for any other purpose deemed reasonable by Landlord, provided, however, that no entry by Landlord, its agents and employers or any showing by Landlord of the Leased Premises for any reason shall in any way be a waiver of Landlord's rights under the Lease or of Tenant's duties, obligations, covenants or conditions under the Lease. Landlord and Tenant agree that electronic mail shall constitute written notice with regard to this Section 8.6 of the Lease.

ARTICLE 9
USE, COMPLIANCE WITH LAWS AND HAZARDOUS MATERIALS

Section 9.1 **Permitted Use**. The Leased Premises shall be used only for the "Permitted Use" set forth in the Reference Provisions. All other uses of the Leased Premises are prohibited. Tenant acknowledges that an actual and substantial detriment will result to Landlord and the other tenants of the Building in the event there is a deviation from the Permitted Use. Tenant shall occupy the Leased Premises and conduct its business in a professional and lawful manner consistent with the Permitted Use, and shall not commit, or suffer to be committed, any waste on the Leased Premises or the Project, nor shall Tenant use the Leased Premises or the Project in any way which would increase or render void any insurance maintained by Landlord or Tenant relating to the Leased Premises or the Project. Tenant shall not cause, maintain, or permit any nuisance in, on, or about the Project, or unreasonably interfere with, annoy, or disturb any other tenant, occupant, Landlord or Landlord's Permittees in their use or enjoyment of rights in and to the Project, nor will Tenant commit any act which in the reasonable judgment of Landlord will appreciably damage Landlord's goodwill or reputation. Tenant will not paint, erect or display any sign, advertisement, placard or lettering which is visible in the corridors or lobby of the Building or from the exterior of the Building. Tenant will comply with the Building rules and regulations set forth on Exhibit B as well as any other reasonable building rules from time- to-time enacted by Landlord. Tenant shall have the right to cease operations in the Leased Premises and vacate all or part of the Leased Premises provided that Tenant shall continue to pay all Rent and other payments due under this Lease, except as expressly permitted otherwise, and to fulfill all its other obligations and covenants under this Lease.

Section 9.2 **Compliance with Laws**. Subject to Landlord's obligations set forth in Section 8.1 above, Tenant will comply with all federal, state, municipal and other laws, ordinances, rules and regulations applicable to Tenant's use of the Leased Premises and the business conducted therein by Tenant (including, without limitation, any temperature and/or lighting control regulations and Accessibility Laws). Landlord will comply with all federal state, municipal and other laws, ordinances, rules and regulations applicable to the structure and safety (including life-safety system requirements) of the Project, Building and Leased Premises, and access thereto. Tenant shall not use the Leased Premises for any purpose without first obtaining any and all governmental licenses and permits required for the conduct of Tenant's business in the Leased Premises. Tenant shall not have a claim against Landlord, nor shall Rent abate or this Lease terminate if Tenant's Permitted Use is prohibited or substantially impaired by any law, ordinance, regulation or by legal, governmental or other public authority.

Section 9.3 Hazardous Materials.

(a) Except as provided in this Section 9.3(a), Tenant shall not cause or permit any Hazardous Material to be brought upon, transported from, stored, kept, used, discharged or disposed in or about the Leased Premises or the Project by Tenant or Tenant's Permittees. Tenant shall notify Landlord immediately of the presence of or disposal of Hazardous Material on or near the Leased Premises, and of any notice by a party alleging the presence of Hazardous Material on or near the Leased Premises. Hazardous Materials which Landlord permits to be brought upon, transported from, used, kept or stored in or about the Project shall only be permitted to the extent they are necessary for Tenant to operate its business for the Permitted Use and after Landlord has granted its permission for the transport, use or storage thereof and then such Hazardous Materials shall be brought upon, transported, used, kept, stored and disposed of only in the quantities necessary for the usual and customary operation of Tenant's business and in a manner that complies with: (i) all laws, rules, regulations, ordinances, codes or any other governmental restriction or requirement of all federal, state and local governmental authorities having jurisdiction and regulating the Hazardous Material; (ii) permits (which Tenant shall obtain prior to bringing the Hazardous Material in, on or about the Leased Premises or Project) issued for the Hazardous Material; and (iii) all producers' and manufacturers' instructions and recommendations, to the extent they are stricter than laws, rules, regulations, ordinances, codes or permits. Tenant shall not dispose of any Hazardous Material in the trash or plumbing systems of the Building, but rather Tenant shall have a separate contractor (approved by Landlord as otherwise provided in this Lease) dispose of the same.

(b) If Tenant or Tenant's Permittees in any way breaches the obligations in Section 9.3(a) or if the presence of Hazardous Material on the Leased Premises or Project caused or permitted by Tenant or Tenant's Permittees results in the release or threatened release of Hazardous Material on, from or under the Project or if the presence on, from or under the Project of Hazardous Material otherwise arises out of the operation of Tenant's business then, without limitation of any other rights or remedies available to Landlord under this Lease or at law or in equity, Tenant shall indemnify, defend and hold harmless (the "Hazardous Materials Indemnity") Landlord (and Landlord's parents, subsidiaries, affiliates, employees, partners, agents, mortgagees or successors to Landlord's interest in the Leased Premises) (collectively "Landlord's Indemnified Parties") from any and all claims, sums paid in settlement of claims, judgments, damages, clean-up costs, penalties, fines, costs, liabilities, losses or expenses (including, without limitation, attorneys', consultants' and experts' fees and any fees by Landlord to enforce the Hazardous Materials Indemnity) which arise during or after the Term as a result of Tenant's breach of its obligations hereunder, such damages and losses to include, without limitation: diminution in value of any part of the Project; damages for the loss of, or the restriction on the use of, rentable or usable space or any amenity of the Project; damages arising from any adverse impact on the sale or lease of the Project; and damage and diminution in value to the Project or other properties, whether owned by Landlord or by third parties. The Hazardous Materials Indemnity includes, without limitation, costs incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work required by any federal, state or local governmental agency or political subdivision because of Hazardous Material present in the soil or groundwater on, under or originating from the Project. Without limiting the foregoing, if the presence of Hazardous Material on the Project caused or permitted by Tenant or Tenant's Permittees results in the contamination, release or threatened release of Hazardous Material on, from or under the Project or other properties, Tenant shall promptly take all actions at its sole cost and expense which are necessary to return the Project and other properties to the condition existing prior to the introduction of the Hazardous Material; provided that Landlord's written approval of the actions shall be obtained first and so long as such actions do not have or would not potentially have any material, adverse long-term or short-term effect on Landlord or on the Project or other properties. The Hazardous Materials Indemnity shall survive the Expiration Date or earlier termination of this Lease and shall survive any transfer of Landlord's interest in the Project.

(c) "Hazardous Material" means any hazardous, radioactive or toxic substance, material or waste, including, but not limited to, those substances, materials and wastes (whether or not mixed, commingled or otherwise combined with other substances, materials or wastes) listed in the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101) or by the Environmental Protection Agency as hazardous substances (40 CFR Part 302) and amendments thereto, or substances, materials and wastes which are or become regulated under any applicable local, state or federal law including, without limitation, any material, waste or substance which is (i) a petroleum product, crude oil or any faction thereof, (ii) asbestos, (iii) polychlorinated biphenyls, (iv) designated as a "hazardous substance" pursuant to §311 of the Clean Water Act, 33 U.S.C. §1251 *et seq.* (33 U.S.C. §1321) or listed pursuant to §307 of the Clean Water Act (33 U.S.C. §1317), (v) defined as a "hazardous waste" pursuant to §1004 of the Resource Conservation and Recovery Act, 42 U.S.C. §6901 *et seq.* (42 U.S.C. §6903), (vi) defined as a "hazardous substance" pursuant to §101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §9601 *et seq.* (42 U.S.C. §9601) or (vii) medical or biological waste. Hazardous Materials shall not include any of the foregoing in amounts which, because of the quantity or condition in which they exist or, because they are otherwise permitted by applicable law or regulation, are commonly found in places of business similar to Tenant's Permitted Use (such as copier toner, cleaning supplies and the like), the quantities are normal and customary for such use and the materials are handled, stored, disposed of and released in accordance with all applicable environmental laws.

(d) Notwithstanding the foregoing, Landlord represents and warrants to Tenant that at the time the Leased Premises are delivered to Tenant (i) the Leased Premises shall be free from Hazardous Materials other than those Hazardous Materials permitted to remain within the Leased Premises in accordance with applicable law, if any, identified in the Asbestos Air Monitoring Report dated April 4, 2006, prepared by Envirotest, Ltd. (Job No. HOU 06 0358) and (hereinafter referred to as the "Environmental Report") and (ii) except as identified in the Environmental Report, Landlord has received no notice of, and otherwise has no actual knowledge of, any Hazardous Materials within or upon the Project or the Leased Premises. Notwithstanding the foregoing, if Landlord breaches the previous representation and warranty, or if any laws, ordinances, rules or regulations applicable to the Project or Leased Premises hereafter require, Landlord shall remove, dispose of or encapsulate such Hazardous Materials ("Abate" or "Abatement") at Landlord's sole cost and expense. Landlord shall notify Tenant of Landlord's anticipated commencement date of such work, and if required by law, Tenant shall close for business not later than such date and remain closed until notified by Landlord to reopen whereupon Tenant shall promptly reopen for business. If Tenant is forced to close for business and such closure is not the result of Abatement of Hazardous Materials brought upon, transported through, stored, kept, used, discharged or disposed in or about the Leased Premises by Tenant or Tenant's Permittees, then all Rent and other routinely recurring charges due hereunder shall abate for each day that Tenant is closed as required by this paragraph. LANDLORD WILL INDEMNIFY AND HOLD TENANT HARMLESS AGAINST ALL INJURY, LOSS, COST, DAMAGE OR CLAIMS TO ANY PERSON OR PROPERTY ARISING OUT OF THE PRESENCE OR EXISTENCE OF HAZARDOUS MATERIALS FOUND IN THE LEASED PREMISES WHICH ARE NOT ATTRIBUTABLE TO THE ACTIVITIES OF TENANT OR TENANT'S PERMITTEES.

ARTICLE 10
ASSIGNMENT AND SUBLETTING

Section 10.1 Assignment and Subletting Prohibited. Tenant will not assign this Lease or sublease the Leased Premises or any part thereof or mortgage, pledge or hypothecate its leasehold interest, grant any concession or license within the Leased Premises or allow any party other than Tenant, its subsidiaries, and affiliated entities (which shall mean any entity which controls, is controlled by, or is under common control with Tenant) to occupy all or any part of the Leased Premises (which, for purposes of this Article 10, shall include any form of (i) co-occupancy arrangement, (ii) office sharing arrangement, and (iii) license arrangement) without the prior express written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed, and any attempt to do any of the foregoing without Landlord's consent shall be void. Tenant acknowledges that this Lease is personal to Tenant, its subsidiaries and affiliated entities for the Permitted Use, and that Landlord may condition any consent on an increase in Rent or any other changes in the terms, covenants, or conditions hereof. The consent by Landlord to any transfer, assignment, subletting or other occupancy shall not be deemed or consent to any other or subsequent transfer or to be a waiver on the part of Landlord of its rights regarding any future transfers, assignments, sublets or occupancies. If Landlord consents to an assignment, subletting or other occupancy, such consent shall not be effective unless and until Landlord approves in writing the executed assignment, sublease agreement or other agreement evidencing same, which agreement shall provide that it is subject to Landlord's consent and for the assignee to assume all of the obligations and liabilities of Tenant under this Lease or for the sublessee or other occupant to be subject to all the terms and provisions of the Lease. Notwithstanding any such consent, the undersigned Tenant will remain jointly and severally liable (along with each approved assignee, who shall automatically become liable for all obligations of Tenant hereunder) and Landlord shall be permitted to enforce the provisions of this instrument directly against the undersigned Tenant and/or any assignee or sublessee without proceeding in any way against any other person. This prohibition shall be construed to include a prohibition against any assignment, subletting or other occupancy by operation of law.

Section 10.2 Recapture. In the event of any such attempted assignment or attempted sublease which is made or attempted to be made without Landlord's prior written consent in violation of this Lease (but specifically excluding any Permitted Transfers), or should Tenant, in any other nature of transaction, permit or attempt to permit anyone to occupy the Leased Premises (or any portion thereof) without the prior express written permission of Landlord required by this Lease then, in addition to being an Event of Default entitling Landlord to exercise the remedies provided in Article 13, Landlord shall thereupon have the right and option to cancel and terminate this Lease effective upon fifteen (15) days' notice to Tenant given by Landlord at any time thereafter either as to the entire Leased Premises or as to only the portion thereof which Tenant shall have attempted to assign or sublease or otherwise permitted some other party's occupancy without Landlord's prior express written permission; and if Landlord elects to cancel and terminate this Lease as to the aforesaid portion of the Leased Premises, then the Rent payable hereunder shall thereafter be proportionately reduced as determined by Landlord.

Section 10.3 Permitted Transfers. Notwithstanding the foregoing provisions of this Article 10, Tenant may assign the Lease or sublease all or any portion of the Leased Premises without Landlord's consent to any of the following (a "Permitted Transferee") and without Landlord's right to recapture, provided that the Permitted Transferee's financial condition (in Landlord's reasonable judgment) following the transfer is equal to or greater than that of the Tenant as of the date of this Lease: (a) any successor corporation or other entity resulting from a merger or consolidation of Tenant so long as Tenant's obligations hereunder are assumed by the entity surviving such merger or created by such consolidation; (b) any purchaser of all or substantially all of Tenant's stock or assets; or (c) any entity which controls, is controlled by, or is under common control with Tenant. Any Permitted Transferee shall assume in writing all of Tenant's obligations under the Lease. Not less than ten (10) business days prior to the effective date of any Permitted Transfer, Tenant agrees to furnish Landlord with (A) copies of the instruments effecting any of the foregoing Permitted Transfers, (B) documentation establishing Tenant's satisfaction of the requirements set forth above applicable to any such Permitted Transfer, and (C) evidence of insurance and financial condition with respect to the Permitted Transferee as required under this Lease. The occurrence of a Permitted Transfer shall not waive Landlord's rights as to any subsequent transfer.

Section 10.4 Requirements Applicable to All Transactions. Notwithstanding that the prior express written permission of Landlord to any of the aforesaid transactions may have been obtained or the Leased Premises assigned to a Permitted Transferee, the following shall apply:

(a) In the event of an assignment, contemporaneously with the granting of Landlord's consent, Tenant shall cause the assignee to expressly assume in writing and agree to perform all of the covenants, duties and obligations of Tenant hereunder and such assignee shall be jointly and severally liable therefor along with Tenant; and Tenant shall further cause such assignee to grant Landlord an express first and prior contractual lien and security interest in the manner in which Tenant has granted Landlord such a lien;

(b) A signed counterpart of all instruments relative thereto (executed by all parties to such transaction with the exception of Landlord) shall be submitted by Tenant to Landlord prior to or contemporaneously with the request for Landlord's written consent thereto (it being understood that no such instrument shall be effective without the written consent of Landlord);

(c) Tenant shall subordinate to Landlord's statutory lien and Landlord's aforesaid contract lien and security interest any liens or other rights which Tenant may claim with respect to any fixtures, equipment or other property owned by or leased to the proposed assignee or sublessee or other party intending to occupy the Leased Premises;

(d) No usage of the Leased Premises different from the Permitted Use shall be permitted and all other terms and provisions of this Lease shall continue to apply after any such assignment or subleasing;

(e) In any case where Landlord consents to an assignment, sublease, grant of a concession or license or mortgage, pledge or hypothecation of the leasehold or other transaction, Tenant will nevertheless remain directly and primarily liable for the performance of all of the covenants, duties and obligations of Tenant hereunder (including, without limitation, the obligation to pay all Rent and other sums herein provided to be paid), and Landlord shall be permitted to enforce the provisions of this instrument against the undersigned Tenant and/or any assignee without demand upon or proceeding in any way against any other person; and

(f) In the event that the rent per square foot due and payable on a monthly basis by a sublessee under any such permitted sublease (or a combination of the Rent payable under such sublease plus any bonus or other consideration therefor or incident thereto) exceeds the Rent payable under this Lease, or if with respect to a permitted assignment, permitted license or other transfer by Tenant or occupancy arrangement permitted by Landlord, the rent payable to Tenant by the assignee, licensee or other transferee exceeds the Rent payable under this Lease, then Tenant shall be bound and obligated to pay Landlord as Additional Rent under this Lease all such excess rent and other excess consideration within ten (10) days following receipt thereof by Tenant from such sublessee, assignee, licensee or other transferee or occupant.

Section 10.5 Bankruptcy Provisions. If this Lease is assigned to any person or entity pursuant to the provisions of the Bankruptcy Code, 11 U.S.C. §101 *et seq*. (the "Bankruptcy Code") or any other federal or state debtor relief laws (collectively, the "Bankruptcy Laws"), any and all monies or other considerations payable or otherwise to be delivered in connection with such assignment shall be paid or delivered to Landlord, shall be and remain the exclusive property of Landlord and shall not constitute property of Tenant or of the estate of Tenant within the meaning of any Bankruptcy Laws. Any and all monies or other considerations constituting Landlord's property under the preceding sentence not paid or delivered to Landlord shall be held in trust for the benefit of Landlord and be promptly paid or delivered to Landlord. Any person or entity to which this Lease is assigned pursuant to the provisions of any Bankruptcy Laws shall be deemed without further act or deed to have assumed all of the obligations under this Lease whether they arise before or after the date of such assignment. If Landlord is not permitted to terminate this Lease because of the provisions of Bankruptcy Laws, Tenant agrees, as a debtor in possession or any trustee for Tenant, within fifteen (15) days upon Landlord's request to the applicable court, to assume or reject this Lease. If a filing of a petition under any Bankruptcy Law occurs, Landlord shall not have an obligation to provide Tenant with services or utilities unless Tenant has paid and is current in all payments of Rent due for the period of time following the date of a commencement of a petition under such Bankruptcy Law.

ARTICLE 11
CASUALTY AND CONDEMNATION

Section 11.1 Casualty.

(a) In the event of a fire or other casualty in the Leased Premises, Tenant shall immediately give oral or written notice thereof to Landlord. If at any time during the Term, the Leased Premises or the twenty-five percent (25%) or more of the Building shall be substantially damaged or destroyed by fire or other casualty, then Landlord, upon not later than thirty (30) days' written notice after the date of such fire or other casualty, shall elect to terminate this Lease or to repair and reconstruct (i) the Leased Premises (if the Leased Premises are damaged, including by smoke or water) to the extent it was originally constructed by Landlord but excluding those things which Tenant is required to insure pursuant to Section 12.2 and (ii) the other parts of the Building and Parking Facility to substantially the same condition that they existed immediately prior to such damage or destruction or to reasonably comparable condition. In any of the aforesaid circumstances, scheduled payments of all Rent shall abate proportionately during the period and to the extent that the Leased Premises are unfit for use by Tenant in the ordinary conduct of its business, access to the Leased Premises is substantially impeded, and more than fifty percent (50%) of the parking spaces provided for in this Lease are unavailable to Tenant; provided, no substitute parking spaces been made available by Landlord. If Landlord has elected to repair and restore the Leased Premises and the Building and such restoration will be accomplished within one hundred eighty (180) days from the date of the casualty, this Lease shall continue in full force and effect and such repairs will be made within a reasonable time thereafter, subject to Force Majeure or other conditions beyond Landlord's reasonable control. In the event that this Lease is terminated as herein permitted Landlord shall refund to Tenant any prepaid Rent (prorated as of the date of damage or destruction), less any sum then owing Landlord by Tenant. If the Leased Premises, Building or Parking Facility is not restored within the requisite time period this Lease may be terminated by Tenant, at its option, within thirty (30) days from the expiration of the one hundred eighty (180) day period. If Landlord has elected to repair and reconstruct the Leased Premises, then at Landlord's election by written notice to Tenant, the Term shall, at the option of Landlord, be extended by a period of time equal to the period of such repair and reconstruction and Tenant's Rent shall commence to accrue upon completion of restoration of the Building, Leased Premises and Parking Facility and delivery of the Leased Premises for occupancy by Tenant in the same condition existing as of the date of execution of this Lease.

(b) If any item which Tenant is required to insure pursuant to Section 12.2 is damaged or destroyed, and this Lease is not terminated as provided in this Section 11.1, Tenant shall no later than thirty (30) days after Landlord gives Tenant written notice that it has substantially reconstructed or repaired that portion of the Leased Premises as Landlord is obligated to reconstruct or repair under Section 11.1(a) (if such reconstruction or repair be necessary), commence to repair, reconstruct, restore or replace such items and prosecute the same diligently and continuously to completion. In the event Tenant fails to perform its obligations under this Section 11.1(b) (for whatever reason, including without limitation, Tenant's failure to carry the insurance coverage required to be carried by Tenant and whether or not the same constitutes an Event of Default), Landlord shall be deemed to own such improvements and items which Tenant is required to reconstruct or repair hereunder, and Landlord shall have the right, but not the obligation, to reconstruct and/or repair the items which Tenant was obligated to reconstruct and/or repair hereunder. Furthermore, Tenant shall reimburse Landlord for any out-of-pocket costs (including any additional insurance deductible) incurred by Landlord in connection therewith.

Section 11.2 Condemnation. If any portion of the Building or Project shall be taken or condemned (or there shall be a conveyance in lieu thereof) for any public purpose to such an extent as to render the continued operation of the Building or Project impractical or unfeasible as reasonably determined by Landlord, this Lease shall cease and terminate as of the date of such taking or condemnation (or conveyance in lieu thereof), whereupon all Rent owed up to the date of such taking or condemnation (or conveyance in lieu thereof) shall be paid by Tenant to Landlord. If any portion of the Building or the Parking Facility shall be taken or condemned (or there shall be a conveyance in lieu thereof) so as to materially and adversely impact Tenant's use of or access to the Leased Premises or Parking Facility, Tenant may at its option terminate this Lease by written notice to Landlord. All proceeds from any taking or condemnation of the Leased Premises, Building or Project shall belong to and be paid to Landlord; provided, however that Tenant may make any separate claim in a separate proceeding which it is otherwise entitled to make for moving expenses or loss of business so long as the same does not diminish the condemnation proceeds payable to Landlord. Notwithstanding the foregoing, solely for the purpose of preserving Tenant's claims for moving expenses or damages for loss of business against the condemning authority, Tenant may join in Landlord's condemnation proceeding if separate proceedings are no longer authorized under applicable law. Tenant shall have no claim against the condemning authority or Landlord for the value of any unexpired portion of the Term.

ARTICLE 12
INSURANCE, RELEASE, WAIVER AND INDEMNIFICATION

Section 12.1 Landlord's Insurance. Landlord shall maintain (i) Commercial General Liability Insurance on an occurrence basis with a minimum limit of liability in the amount of Five Million Dollars ($5,000,000.00), and (ii) Causes of Loss — Special Form Property Insurance (or All Risk Property Insurance) at least as broad as the Insurance Services Office's Causes of Loss Special Form and including fire, extended coverage, vandalism, malicious mischief and such coverages as are typically carried by the owners of office buildings comparable to the Building in the greater Houston metropolitan area, in an amount equal to one hundred percent (100%) of the full replacement cost thereof (including Landlord's Work installed as part of the Leased Premises, but excluding foundations, footings and other uninsurable parts) and (iii) such other insurance typically carried for similar developments as determined by Landlord in its commercially reasonable judgment. The Operating Expenses includes the cost of such insurance, and Tenant shall have no other obligation to reimburse Landlord for the cost of any insurance maintained by Landlord. Landlord's insurance shall be carried by insurers licensed to do business in Texas having a rating of no less than A/XII as rated by Best's Rating Service. Tenant understands and acknowledges that Landlord may have a blanket and/or umbrella insurance policy which may be fairly allocated by Landlord among the properties owned or managed by Landlord and/or Landlord's affiliates as Landlord deems appropriate. Landlord's Commercial General Liability Insurance policy shall name Tenant as an Additional Insured, shall be written as a primary policy with respect to the Project (excluding the Leased Premises) and shall be endorsed to waive rights of subrogation against Tenant. On or before the commencement of Landlord's Work, Landlord shall provide the appropriate certificate of insurance and copies of any relevant endorsements.

Section 12.2 Tenant's Insurance.

(a) Tenant shall maintain at all times during the Term of this Lease, at Tenant's expense:

(i) Special Causes of Loss Form Property Insurance, including fire, extended coverage, vandalism and malicious mischief, insuring for an amount not less than the current replacement cost of all improvements, alterations or additions made to the Leased Premises by Tenant, and Tenant's fixtures, furniture, equipment and personal property owned, controlled or in use by Tenant and situated in the Leased Premises (Landlord is not obligated to carry insurance on Tenant's property or improvements to the Leased Premises made by Tenant.). A deductible of not more than $5,000 will be permitted for such insurance. SUCH INSURANCE SHALL NAME LANDLORD AS A LOSS PAYEE AS ITS INTERESTS MAY APPEAR. THE POLICY SHALL BE ENDORSED TO WAIVE SUBROGATION AGAINST LANDLORD.

(ii) Commercial General Liability Insurance, including Bodily Injury and Property Damage Liability and Personal and Advertising Injury Liability on an occurrence basis with respect to Tenant's business and occupancy of the Leased Premises for any one occurrence or claim of not less than $1,000,000, combined single limit for Bodily Injury and Property Damage, $1,000,000 Personal Injury and Advertising Injury, $1,000,000 Aggregate for Products and Completed Operations and $2,000,000 General Aggregate or such greater amount as Landlord may require in writing from time to time. A deductible of not more than $5,000 will be permitted for such insurance. SUCH INSURANCE SHALL CONTAIN A PROVISION INCLUDING COVERAGE FOR ALL LIABILITIES ASSUMED BY TENANT UNDER THIS LEASE AND SHALL NAME LANDLORD AS AN ADDITIONAL INSURED. THE POLICY SHALL BE ENDORSED TO WAIVE SUBROGATION AGAINST LANDLORD.

(iii) Business Automobile Liability Insurance covering owned, non-owned and leased vehicles for limits not less than $1,000,000 per occurrence. SUCH INSURANCE SHALL NAME LANDLORD AS AN ADDITIONAL INSURED. THE POLICY SHALL BE ENDORSED TO WAIVE SUBROGATION AGAINST LANDLORD.

(iv) Worker's Compensation Insurance for all of Tenant's employees working in the Leased Premises in an amount sufficient to comply with applicable laws or regulations. The policy shall include Employer's Liability with minimum limits of $500,000 per accident, $500,000 per employee for disease, with a $500,000 policy limit for disease. THE POLICY SHALL BE ENDORSED TO WAIVE SUBROGATION AGAINST LANDLORD.

(v) Business Interruption Insurance in an amount sufficient (which shall be deemed to require coverage for at least six months of income loss) to reimburse Tenant for direct or indirect loss of earnings attributable to matters covered by Special Causes of Loss Form Property Insurance and such other perils as are commonly insured against by prudent tenants or attributable to prevention of access to the Building or Leased Premises as a result of such perils. THE POLICY SHALL BE ENDORSED TO WAIVE SUBROGATION AGAINST LANDLORD.

(vi) If any Hazardous Material (including, without limitation, medical waste but excluding general office and cleaning supplies in usual and customary quantities) is being used in, kept in, brought upon or disposed from or within the Leased Premises, then Pollution Liability Insurance of not less than $1,000,000 per occurrence. SUCH INSURANCE SHALL NAME LANDLORD AS AN ADDITIONAL INSURED. THE POLICY SHALL BE ENDORSED TO WAIVE SUBROGATION AGAINST LANDLORD.

(vii) Insurance against such other perils and in such amounts as Landlord may from time to time require in writing. Such request shall be made on the basis that the insurance coverage requested is reasonable and customary at the time for prudent office building tenants in a business of the type and size of Tenant's business.

(b) All policies of insurance maintained by Tenant shall be in a form and with an insurer acceptable to Landlord, having a rating of no less than A/XII as rated by Best's Rating Service, shall be issued by an insurer licensed to do business in Texas, and shall require at least thirty (30) days written notice to Landlord of termination or material alteration. Notwithstanding anything to the contrary contained herein, all such liability, property damage and other casualty policies shall be written as primary policies with respect to the Leased Premises only which do not contribute to and are not to be merely as excess coverage over that which Landlord may carry.

(c) Tenant shall, at least five (5) days before Tenant receives the Leased Premises, and thereafter at least thirty (30) days prior to the expiration of each such policy, promptly deliver to Landlord certified copies of such policies or original evidence of insurance which reflects (i) that all premiums have been paid and the policies are in full force and effect, (ii) that Landlord and entities which Landlord may from time to time designate are named as an additional insured as required above, (iii) that the policy is endorsed to waive subrogation against Landlord, (iv) the type of coverage, (v) the limits of coverage, (vi) the name, address and phone number of the insurance company, (vii) the name, address and phone number of the insurance agent, (viii) the commencement date and expiration date of the policy, and (ix) that the terms of the policy will be applicable with respect to Landlord through the stated expiration date of the policy unless Landlord is given at least thirty (30) days prior written notice of any revision or earlier cancellation of the policy. Additionally, Tenant shall be obligated to submit to Landlord evidence of insurance as provided above which covers any additional space leased hereunder or any extension of Term at least five (5) days prior to Tenant receiving such additional space or the extension of the Term. The delivery of the evidence of insurance as provided above shall be a condition precedent to Tenant receiving the Leased Premises, but this shall not delay the Rent Commencement Date or otherwise cause any abatement of Rent.

(d) If Tenant fails to maintain any insurance required to be maintained by Tenant as required in this Section 12.2 or fails to submit either a certified copy of all such policies or any original evidence of insurance which complies with the foregoing provisions of this Section 12.2, then Landlord, in addition to Landlord's remedies set forth in Article 13, shall have the right (but not the obligation) to cause such insurance to be issued, and in such event, Tenant shall pay to Landlord on or before expiration of the Payment Window, the premium therefor plus Landlord's Overhead Recovery.

Section 12.3 Release and Waiver of Subrogation. Notwithstanding anything to the contrary contained within this Lease (except for the terms of this Section 12.3), Landlord and Tenant hereby mutually agree that in the event that either Landlord or Tenant sustains a loss (including, without limitation death, injury or property damage) **(WHETHER OR NOT SUCH LOSS, DAMAGE, OR INJURY IS CAUSED BY THE FAULT OR THE SOLE OR CONTRIBUTORY NEGLIGENCE OF A PARTY HERETO OR ANY THIRD PARTY)** which is covered by any insurance policy that such party is required to provide and maintain under this Lease, then such party sustaining the loss agrees that such party shall have no right of recovery against the other party (the same to specifically include Landlord's Indemnified Parties and Tenant's Permittees), and such party sustaining the loss hereby WAIVES any right of subrogation which might otherwise exist in or accrue to any third party; provided, however, that in all events, the party sustaining any loss which is covered or required to be covered by property or liability insurance pursuant to the other provisions of this Lease may recover from the other party (assuming such other party otherwise has liability for the loss suffered) the amount of any deductible (provided such deductible does not exceed $25,000) under any applicable policy insurance, to the extent of the deductible under such policy. Landlord and Tenant agree that all policies of insurance obtained by them pursuant to this Lease shall contain provisions or endorsements thereto waiving the insurer's rights of subrogation with respect to claims again the other, and, unless the insurance policies permit waiver of subrogation without notice to the insurer, each shall notify its insurance companies of the existence of the waiver and indemnity provisions set forth in this Lease. Notwithstanding the foregoing, however, the provisions of this Section 12.3 shall not limit Landlord's or Tenant's obligations under Sections 9.3 or 12.4 and the mutual waivers contained in this Section shall not impose any other or greater liability upc either Landlord or Tenant than would have existed in the absence of such waivers.

Section 12.4 Release and Indemnification.

(a) Tenant's Indemnification and Release. To the fullest extent permitted by law, but subject to the waiver of subrogation provided for elsewhere in this Lease, Tenant agrees indemnify, defend and hold harmless Landlord and Landlord's Indemnified Parties from all claims, losses, costs, damages and expenses (including but not limited to attorney's fees and court costs) resulting or arising or alleged to arise from any and all injuries or death of any person or damage to any property (i) in, on or about the Leased Premises from the date of Landlord's Tender until Tenant fully vacates the Leased Premises (unless due to the so negligence, gross negligence or willful misconduct of Landlord or Landlord's Indemnified Parties) or (ii) in, on or about the Project caused by the sole negligence, gross negligence willful misconduct of Tenant or Tenant's Permittees.

(b) Landlord's Indemnification. To the fullest extent permitted by law, but subject the waiver of subrogation provided for elsewhere in this Lease, Landlord agrees to indemnify, defend and hold harmless Tenant and Tenant's Permittees from all claims, losses, costs, damages and expenses (including but not limited to attorney's fees and court costs) resulting or arising alleged to arise from any and all injuries or death of any person or damage to any property (i) in on or about the Common Areas of the Building or the Project (unless due to the sole negligence, gross negligence or willful misconduct of Tenant's or Tenant's Permittees) or (ii) in, on or about the Leased Premises caused by the sole negligence, gross negligence or willful misconduct Landlord or Landlord's Permittees.

(c) Notwithstanding the foregoing, in the event that either party is obligated to indemnify the other under this Section 12.4 and such other party is determined to be responsible in whole or in part for the same, then in order to provide a mechanism for apportioning the responsibility of Landlord and Tenant for any such liability, Landlord and Tenant agree follows:

(i) Should a final judgment be entered, which recites the proportionate responsibility of Landlord and Tenant with respect to such matter, Landlord and Tenant agree to bear the responsibility for damages, costs, and expenses in the proportion assigned by such judgment; and

(ii) In the event a claim is settled without entry of a judgment apportioning responsibility, Landlord and Tenant agree to submit the issue of their proportionate responsibility to binding arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules and Mediation Procedures. The arbitration proceedings must be conducted in Houston, Texas. The arbitrator appointed to hear and decide disputes under this provision must be a citizen of the United States.

ARTICLE 13
DEFAULT AND REMEDIES

Section 13.1 Events of Default. Each of the following acts or omissions of Tenant or occurrences shall constitute an "Event of Default":

(a) Failure or refusal by Tenant to pay any Rent (including, without limitation, any Base Rent, Additional Rent or other payments due under this Lease) on or before ten (10) days after written notice from Landlord;

(b) Failure to perform or observe any other covenant or condition of this Lease by Tenant to be performed or observed upon the expiration of a period of thirty (30) days following written notice to Tenant of such failure unless the nature of such failure is such that it cannot reasonably be cured within such 30 day period, then Tenant shall have such additional time as is reasonably required to cure such failure provided Tenant commences to cure such failure within such 30 day period and proceeds to prosecute such cure with diligence and continuity; provided, however, that in the event such failure by Tenant relates to a matter which can cause Landlord to be in default under or breach the terms of any other lease, agreement affecting the Project or the terms of any loan or subject Landlord to criminal or civil liability for the violation of any governmental law or which prevents Landlord from consummating another business transaction or obtaining a governmental approval, then Tenant shall be entitled to only such cure period as is reasonable if less than thirty (30) days and shall immediately perform or observe such covenant or condition of this Lease, and the failure by Tenant to do so immediately shall be an Event of Default;

(c) [Intentionally deleted];

(d) The assignment of the Lease or the subleasing of any portion of the Leased Premises in violation of the terms of Article 10;

(e) The filing of a request which is not dismissed in thirty (30) days or the commencement by Tenant or any Guarantor of a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency, debtor relief or other similar law, or the consent by either of said parties to the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of any substantial part of the property of Tenant or any Guarantor, or to the taking possession of any such property by any such functionary or the making of any assignment for the benefit of creditors by either Tenant or any Guarantor, or the failure of Tenant or any Guarantor generally to pay its debts as such debts become due, or the taking of corporate action by any corporate Tenant or any corporate Guarantor in furtherance of any of the foregoing;

(f) The entry of a decree or order for relief by a court having jurisdiction over Tenant or any Guarantor in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of Tenant or any Guarantor or for any substantial part of either of said parties' property, or ordering the winding up or liquidation of either of said parties' affairs; or

(g) The dissolution or winding up of Tenant.

Section 13.2 Landlord's Remedies.

(a) If any Event of Default occurs, in each such case, and in addition to any and all other rights or remedies of Landlord provided in this Lease or at law or equity, Landlord may immediately, or at any time thereafter, and without demand or notice (except as specifically provided herein):

(i) [Intentionally deleted];

(ii) if the Event of Default pertains to work to be performed by Tenant, enter upon the Leased Premises and perform such work, or cause such work to be performed, for the account of Tenant, and without waiving such Event of Default, Tenant shall pay to Landlord the cost of such work plus Landlord's Overhead Recovery on or before the expiration of the Payment Window;

(iii) terminate this Lease, in which event Tenant shall immediately surrender possession of the Leased Premises to Landlord;

(iv) without terminating this Lease, terminate Tenant's right to possession of the Leased Premises (upon which Tenant's possessory rights (but not its obligations) under this Lease shall terminate), in furtherance of which Landlord may enter upon the Leased Premises or any part thereof and change the locks (and/or other security devices), terminate any utility or other services to the Leased Premises, repossess the same and expel the Tenant and those claiming through or under Tenant and remove Tenants or their effects without a breach of the peace, all without being deemed guilty of any manner of trespass, all without any liability to Tenant or to any third party for which liability Tenant hereby releases Landlord and the Landlord Indemnified Parties and for which third party claims Tenant agrees to indemnify, defend and hold harmless Landlord and the Landlord Indemnified Parties **UNLESS SUCH THIRD PARTY CLAIMS ARE ATTRIBUTABLE IN WHOLE OR IN PART TO THE GROSS NEGLIGENCE OR WILFUL MISCONDUCT OF LANDLORD OR LANDLORD'S INDEMNIFIED PARTIES,** and all without prejudice to any remedies which might otherwise be used for the collection of arrears of rent or damages for a default;

(v) bring an action for forcible entry, forcible detainer or forcible entry and detainer or other legal proceedings as Landlord may elect.

(b) Notwithstanding any such termination or entry by the Landlord whether by summary proceedings, or otherwise, Tenant shall pay and be liable for (on the days originally fixed herein for the payment thereof) the several installments of Rent as if this Lease had not been terminated and as if the Landlord had not entered and whether the Leased Premises are relet or remain vacant in whole or in part, but if Landlord has then relet the Leased Premises, Landlord shall offer credit to Tenant in the net amount of rent received by Landlord with any replacement tenant occupying the Leased Premises, computed in accordance with the deductions therefrom and in the order of application set forth in Sections 13.2(e) and 13.2(f). Alternatively, at Landlord's election, Tenant shall pay to Landlord, as damages, a sum which as of the time of Landlord's election equals the excess, if any, of the present value of the total rentals and other benefits which would have accrued to Landlord under this Lease for the remainder of the Term if this Lease had been fully complied with by Tenant, over and above the current rental value of the Leased Premises for the balance of the Term discounted to present value as provided below. For the purposes of this Section 13.2(b), and because of the difficulty of ascertaining such amount, Tenant and Landlord stipulate that:

(i) The Rent for any period after any such termination or entry by Landlord would have been at a monthly rate equal to the monthly average of the Rent which Tenant was obligated to pay to the Landlord under this Lease during the three hundred sixty-five (365) days immediately preceding the date of such termination or entry; provided, however, that this average Rent shall be increased to reflect any increases in Base Rent which are scheduled to occur after such termination or entry; and

(ii) The appropriate discount rate for determining the present value of the income streams described above shall be six percent (6%).

(c) Notwithstanding anything contained herein to the contrary, to the full extent permitted under applicable law, Tenant hereby releases Landlord from any and all duty to relet the Leased Premises or otherwise mitigate damages. Landlord shall not be liable, nor shall Tenant's obligations hereunder be diminished, because of Landlord's failure to relet the Leased Premises or collect rent due with respect to such reletting. In the event and only in the event that, despite such waiver, applicable law requires Landlord to attempt to mitigate damages, Landlord shall use reasonable efforts to relet the Leased Premises on such terms and conditions as Landlord in its good faith judgment may determine (including without limitation a term different than the term of this Lease, rental concessions, as may be required by current market conditions, and repair of the Leased Premises) provided, however that Landlord shall not be obligated to give priority to reletting the Leased Premises over other unoccupied portions of the Project owned by Landlord. In no event shall Tenant be entitled to any excess rents received by Landlord.

FIRST AMENDMENT OF LEASE

THIS FIRST AMENDMENT OF LEASE is made hereto by and between MEMORIAL CITY TOWERS, LTD., a Texas limited partnership (hereinafter called "Landlord"), and SOUTHWEST INSURANCE PARTNERS, INC., a Texas corporation (hereinafter called "Tenant").

WITNESSETH:

WHEREAS, Landlord and Tenant heretofore entered into a Lease Agreement dated December 1, 2008 (hereinafter called the "Lease"), covering approximately 20,382 square feet of Rentable Area on the sixth (6^{th}) floor, Suite 600 (hereinafter called the "Leased Premises"), in the building known as ONE MEMORIAL CITY PLAZA (hereinafter called the "Building") located at 800 Gessner in Houston, Harris County, Texas; and

WHEREAS, the parties wish to amend the Lease as hereinafter set forth;

WHEREAS, the parties agree that capitalized terms not defined herein should have the meanings given to such terms in the Lease;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the undersigned parties agree as follows:

I.

Landlord and Tenant agree to delete the definition of the Rent Commencement Date set forth in Article I of the reference provisions of the Lease and substitute in lieu thereof the following:

> "The later to occur of the date which is two (2) weeks after the date of (i) Landlord's Tender (as defined in Exhibit C, Paragraph 8) or (ii) May 15, 2009; provided, however, in the event Tenant opens for business in the Premises prior to such date, the Rent Commencement Date shall be the date on which Tenant initially opens for business in the Premises."

II.

Landlord and Tenant agree to delete Paragraph 1 of Exhibit C to the Lease and substitute in lieu thereof the following:

"1. Landlord or Landlord's contractors, at Landlord's cost and expense, shall perform the following "Landlord's Work" to the Leased Premises, the Restrooms and Elevator Lobby (as designated on Exhibit A to the Lease):

(a) Construct improvements to the Leased Premises in accordance with those plans dated February 6, 2009, prepared by Landlord and as approved by Philip Ewald Architecture Inc. (the "Plans"), the Construction Documents (as defined in Section 2 below) to be prepared by Landlord based on the Plans, the Lease and this Exhibit C, including Building Standard improvements as defined in Section 3 below, and necessary demolition of any existing improvements in the Leased Premises. Notwithstanding the foregoing, if the cost of construction of Landlord's Work per the Plans is less than the construction cost (the "Original Construction Costs") associated with the proposed plans dated October 16, 2008, which were originally referred to in the Lease, for the portion of the Leased Premises cross-hatched on Exhibit A to the Lease, Tenant shall have the right at Tenant's written request made timely to Landlord so that there is no delay in commencement or continuation of construction to apply such savings as a credit towards any additional work to be performed by Landlord in the Leased Premises, Restrooms or Elevator Lobby (as provided below). The Original Construction Cost is hereby stipulated to be $565,581.84 as such amount may be adjusted for the $22,000.00 Tenant will pay towards any millwork and tempered glass side lights and the $18,000 allowance towards reception area and large conference room as provided in sheet notes 5 and 6 on sheet A02.06 of the October 16, 2008 proposed plans. Conversely, if the cost of construction per the Plans exceeds the Original Construction Cost, Tenant shall be responsible for paying any such overage within thirty (30) days after Landlord's Tender. Within seven (7) days from the date of this Agreement, Landlord shall provide Tenant with a reasonably detailed statement of the cost of Landlord's Work per the Plans ("Landlord's Cost Statement"). Within five (5) business days of receipt of Landlord's Cost Statement by Tenant, Tenant shall approve or disapprove Landlord's Cost Statement in writing to Landlord including detailed, specific and reasonable reasons for disapproval and detailed and reasonable suggested revisions to Landlord's Cost Statement ("Tenant's Price Revision Plan"). If Tenant disapproves such cost and timely gives to Landlord Tenant's Price Revision Plan, Landlord shall work with Tenant in good faith to reduce the scope of the Landlord's Work or seek alternative pricing until the cost of such work is approved by Tenant. Each day from the date of the expiration of said five (5) day period until the cost of such work is approved by Tenant in writing delivered to Landlord shall automatically constitute a day of Tenant Delay. If Tenant shall fail to give to Landlord Tenant's Price Revision Plan within five (5) business days from the date of receipt thereof in writing by Landlord, then Landlord's Cost Statement shall be deemed approved by Tenant, and Landlord shall be authorized to proceed with construction based upon Landlord's Cost Statement. To the extent the Plans and Construction Documents are inconsistent with the construction requirements of the Lease and this Exhibit C, the Plans and Construction Documents shall control.

(b) Construct improvements to the Restrooms and Elevator Lobby adjacent to the Leased Premises in accordance with plans to be prepared by Philip Ewald Architecture Incorporated (the "Restroom and Elevator Lobby Plans"), as provided below, the Construction Documents (as defined in Section 2 below) to be prepared by Landlord based on the Restroom and Elevator Lobby Plans, the Lease and this Exhibit C, including Building Standard improvements as defined in Section 3 below, and necessary demolition of any existing improvements in the Restrooms and Elevator Lobby. Landlord shall provide Tenant an allowance for cost of construction of the Restrooms in an amount equal to the current cost to replicate (including compliance with current ADA standards) the restrooms located on the eleventh (11th) floor of the building located at 820 Gessner (the "Restrooms Allowance"). In addition, Landlord shall provide Tenant an allowance for cost of construction of the Elevator Lobby in an amount equal to the current cost to replicate (including compliance with current ADA standards) the elevator lobby located on the second (2nd th) floor of the building located at 820 Gessner (the "Elevator Lobby Allowance"). If the cost of construction of Landlord's Work for the Restrooms and the Elevator Lobby per the Restroom and Elevator Lobby Plans described below costs less than the sum of the Restrooms Allowance and the Elevator Lobby Allowance, Tenant shall have the right, at Tenant's written request made timely to Landlord so that there is no delay in the commencement, continuation of completion of construction, to apply such savings as a credit towards any additional work to be performed by Landlord in the Leased Premises, Restrooms or Elevator Lobby. Conversely, if the cost of construction for the Restrooms and Elevator per the Restroom and Elevator Lobby Plans exceeds the sum of the Restrooms Allowance and Elevator Lobby Allowance, Tenant shall be responsible for paying any such overage, which overage shall be due and payable within thirty (30) days after Landlord's Tender. On or before February 27, 2009, Landlord shall provide Tenant with a current bid (with line items) evidencing the Restrooms Allowance and Elevator Lobby Allowance. On or before February 27, 2009, Tenant shall provide Landlord with the Restroom and Elevator Lobby Plans, including specified finish details or allowances therefor. Within seven (7) days from the receipt of the Restroom and Elevator Lobby Plans, Landlord shall provide Tenant with reasonably detailed evidence (including line item costs) of the cost of construction of Landlord's Work per the Restroom and Elevator Lobby Plans (the "Landlord's R&EL Cost Statement"). Within three (3) business days of receipt of the R&EL Cost Statement by Tenant, Tenant shall approve or disapprove R&EL Cost Statement in writing to Landlord including detailed, specific and reasonable reasons for disapproval and detailed and reasonable suggested revisions ("Tenant's R&EL Price Revision Plan") If Tenant shall fail to give to Landlord Tenant's R&EL Price Revision Plan within three (3) business days from the date of receipt of Landlords R&EL Cost Statement in writing, then the Landlord's R&EL Cost Statement shall be deemed approved by Tenant, and Landlord shall be authorized to proceed with construction based on Landlord's R&EL Cost Statement. If Tenant disapproves such cost and timely gives to Landlord Tenant's R&EL Price Reduction Plan Landlord shall work with Tenant in good faith to reduce the scope of the Landlord's Work for the Restrooms and Elevator Lobby or seek alternative pricing until the cost of such work is approved by Tenant. Each day from the date of the expiration of said three (3) day period until the cost of such work is approved by Tenant in writing delivered to Landlord shall automatically constitute a day of Tenant Delay. To the extent the Plans and Construction Documents are inconsistent with the construction requirements of the Lease and this Exhibit C, the Plans and Construction Documents shall control.

(c) The cost of construction of Landlord's Work in the Leased Premises, Restrooms and Elevator Lobby shall be subject to Tenant's approval as provided herein. The cost of construction shall not include any construction management fee or other fees payable to Landlord's property manager, management company or any other party for supervision or administering the construction of Landlord's Work. The fee payable to Landlord's general contractor for profit, overhead, general conditions and any other compensation shall not exceed eight percent (8%) of the costs paid to engineering consultants, subcontractors, vendors and suppliers by the general contractor and 8% of the drywall and demolition cost which are performed by the general contractor. The general contactor shall obtain competitive bids from no less than two (2) subcontractors for each trade, excluding drywall and demolition, one of which may be recommended by Tenant, provided such recommendation is timely made to Landlord in writing so that there is no delay in commencement, continuation or completion of construction. The lowest qualified bid for each trade shall be used unless another bid is timely specified by Tenant to Landlord in writing so that there is no delay in commencement, continuation or completion of construction. Upon request, Tenant shall have the right to audit the specified cost of construction, including all bids and supporting documentation, and Landlord agrees to make available all books, documents, record, papers and files of Landlord and the general contractor relating thereto."

III.

Landlord and Tenant agree to delete Paragraph 4 of Exhibit C to the Lease and substitute in lieu thereof the following:

"4. The approval of Tenant shall be required for any additions or amendments to the Plans and Construction Documents as originally agreed to by Landlord and Tenant. If Landlord (or Landlord's contractors) agrees to perform at Tenant's request, and upon submission by Tenant of necessary plans and specifications, any additional work over and above that shown in the Plans, such work shall be performed by Landlord (or Landlord's contractors) at Tenant's sole expense, subject to any credit to Tenant for savings in construction costs as provided in Section 1 above. Prior to commencing any of the foregoing work, Landlord will submit to Tenant written estimates of the cost of any such work and the number of Tenant Delay days, if any, that will occur as a result of such work. If Tenant shall fail to approve any such estimates within five (5) business days from the date of submission thereof in writing by Landlord, then the same shall be deemed disapproved in all respects by Tenant, and Landlord shall not be authorized to proceed thereon. Tenant agrees to pay Landlord an amount not to exceed the estimated and approved cost of all such work, within thirty (30) days following completion of the Landlord's Work and receipt of receipts of copies of invoices from Landlord evidencing the cost of such work performed."

IV.

Landlord and Tenant agree that Paragraph 9 of Exhibit C shall be deleted in its entirety and the following paragraph substituted therefor:

"Subject to Section 16.26 of the Lease and Tenant Delay, if Landlord fails to so substantially complete the Landlord's Work on or before September 15, 2009, Tenant shall have the right, at Tenant's sole option, and as Tenant's sole remedy, to terminate the Lease with the same effect and in the same manner as if the date of such termination was the expiration date set forth in this Lease; provided, Tenant gives Landlord ten (10) days' written notice of Tenant's intent to terminate the Lease."

V.

Landlord and Tenant each acknowledged that as of the date of this Amendment neither Landlord nor Tenant is in default under any terms of the Lease, nor has any event occurred, which with the passage of time (after notice, if any, required by the Lease) would become an event of default under the Lease.

VI.

This First Amendment of Lease shall not be amended, changed, or extended except by a written instrument executed by the parties hereto.

VII.

Except as modified by this First Amendment of Lease, the Lease remains unchanged and continues unabated in full force and effect.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS DOCUMENT, THIS DOCUMENT SHALL BECOME EFFECTIVE AND BINDING ONLY UPON THE EXECUTION OF THIS DOCUMENT BY TENANT AND BY WAYNE HAYS (PRESIDENT AND CHIEF OPERATING OFFICER), RANDY NERREN (SENIOR VICE PRESIDENT) AND WILLIAM M. MOSLEY, JR. (IN THE FORM OF AN ATTESTATION IN HIS CAPACITY AS SECRETARY OF THE GENERAL PARTNER OF LANDLORD) ON BEHALF OF LANDLORD AND THE DELIVERY OF A FULLY EXECUTED (AS SET FORTH ABOVE) ORIGINAL OF THIS DOCUMENT TO TENANT.

EXECUTED, this the 16th day of February, 2009, in multiple counterparts, each of which shall have the full force and effect of an original.

LANDLORD:

MEMORIAL CITY TOWERS, LTD., a Texas limited partnership

By: **MEMORIAL CITY TOWERS GP, LLC,** a Delaware limited liability company, its Sole General Partner

ATTEST:

/s/ William M. Mosley
William M. Mosley, Jr., Secretary

By: /s/ Wayne Hays
Wayne Hays, President & COO

By: /s/ Randy Nerren
Randy Nerren, Senior Vice President

TENANT:

SOUTHWEST INSURANCE PARTNERS, INC., a Texas corporation

By: /s/ Rhonda Kemp
Name: Rhonda Kemp
Title: Chief Financial Officer

LEASE COMMENCEMENT AGREEMENT

THIS LEASE COMMENCEMENT AGREEMENT (this "Agreement") is entered into between MEMORIAL CITY TOWERS, LTD., a Texas limited partnership ("Landlord"), and SOUTHWEST INSURANCE PARTNERS, a Texas corporation ("Tenant").

RECITALS

Landlord and Tenant previously entered into a Lease Agreement dated December 1, 2008 and a First Amendment of Lease dated February 16, 2009 (and together with any permitted lease assignments and properly delivered notification letters, collectively, the "Lease"), covering approximately 20,382 square feet of Rentable Area on the sixth (6th) floor, Suite 600 (the "Leased Premises"), in the building known as ONE MEMORIAL CITY PLAZA located at 800 Gessner in Houston, Harris County, Texas.

Pursuant to the Lease, Landlord has delivered the Leased Premises to Tenant and Tenant has accepted the same and is now occupying the Leased Premises. Landlord and Tenant wish to confirm the Rent Commencement Date and other matters under the Lease.

AGREEMENTS

In consideration of the premises and mutual covenants herein contained, the undersigned parties agree that the Lease is amended and/or confirmed as follows:

I.

A. The Rent Commencement Date is June 22, 2009. The stated Expiration Date of Term of the Lease is June 21, 2019.

B. For purposes of Base Rent under the Lease, year six (6) starts on June 22, 2014.

C. For purposes of the "Special Provisions" of the Lease (i) the first three (3) months of Base Rent abatement shall expire on September 21, 2009 and Tenant shall commence payment of Base Rent on September 22, 2009 and (ii) the first twenty-four (24) months of Parking Charges abatement shall expire on June 21, 2011 and Tenant shall commence payment of Parking Charges for non-reserved parking spaces on June 22, 2011.

II.

Capitalized terms not defined herein shall have the meanings given to them in the Lease. This Agreement shall not be amended, changed or extended except by written instrument signed by the parties hereto. This Agreement together with the Lease constitutes the entire agreement between Landlord and Tenant relating to the Lease and the amendment thereof and Tenant expressly acknowledges that all negotiations, letters of intent, terms sheets, considerations, representations and understandings between Landlord and Tenant are incorporated herein. Except as modified by this Agreement, the Lease remains unchanged, is ratified by the parties and continues unabated in full force and effect.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS DOCUMENT, THIS DOCUMENT SHALL BECOME EFFECTIVE AND BINDING ONLY UPON THE EXECUTION OF THIS DOCUMENT BY TENANT AND BY WAYNE HAYS (PRESIDENT AND CHIEF EXECUTIVE OFFICER), RANDY NERREN (SENIOR VICE PRESIDENT) AND WILLIAM M. MOSLEY, JR. (IN THE FORM OF AN ATTESTATION IN HIS CAPACITY AS SECRETARY OF THE GENERAL PARTNER OF LANDLORD) ON BEHALF OF LANDLORD AND THE DELIVERY OF A FULLY EXECUTED (AS SET FORTH ABOVE) ORIGINAL OF THIS DOCUMENT TO TENANT.

EXECUTED on August 24, 2009, in multiple counterparts, each of which shall have the full force and effect of an original.

LANDLORD:

MEMORIAL CITY TOWERS, LTD., a Texas limited partnership

ATTEST:

By: **MEMORIAL CITY TOWERS GP, LLC,** a Delaware limited liability company, its sole General Partner

/s/ William M. Mosley
William M. Mosley, Jr., Secretary

By: /s/ Wayne Hays
Wayne Hays, President & CEO

By: /s/ Randy Nerren
Randy Nerren, Senior Vice President

TENANT:

ATTEST:

SOUTHWEST INSURANCE PARTNERS, INC., a Texas corporation

/s/ [ILLEGIBLE]
(Assistant) Secretary

By: /s/ Rhonda N Kemp
Name: RhONDA N KEMP
Title: CFO

SUPPLEMENTAL PARKING AGREEMENT

THIS SUPPLEMENTAL PARKING AGREEMENT (this "Agreement") is entered into between MEMORIAL CITY TOWERS, LTD., a Texas limited partnership ("Landlord"), and SOUTHWEST INSURANCE PARTNERS, INC., a Texas corporation ("Tenant").

RECITALS

Landlord and Tenant previously entered into a Lease Agreement dated December 1, 2008 (as amended, collectively, the "Lease"), covering approximately 20,382 square feet of Rentable Area on the sixth (6th) floor, Suite 600 (the "Leased Premises"), in the building known as ONE MEMORIAL CITY PLAZA located at 800 Gessner in Houston, Harris County, Texas. Landlord and Tenant wish to make changes to the parking provisions of the Lease.

AGREEMENTS

In consideration of the premises and mutual covenants herein contained, the undersigned parties agree that the Lease is amended as follows:

I.

Tenant shall be entitled to an additional two (2) reserved parking spaces (the "Additional Spaces") in the Parking Facility commencing effective on August 1, 2009 (the "Parking Change Date") Tenant shall have the use of the Additional Spaces until the earlier to occur of (i) ten (10) days following receipt by Landlord of written notice from Tenant of Tenant's cancellation of the use of the Additional Spaces, or (ii) the expiration or termination of the Lease or Tenant's right to possession of the Leased Premises. Tenant shall have the right to cancel the use of the Additional Spaces by written notice to Landlord. In consideration of the right of Tenant to the Additional Spaces as set forth above, Tenant agrees to pay Landlord the additional sum of $50.00 per month, plus applicable sales tax, for each said reserved parking space as additional Parking Charges, which shall be due and payable by Tenant to Landlord on the dates, in the manner and at the place which Parking Charges are payable and shall be payable monthly in advance commencing on the Parking Change Date. The Additional Spaces are in addition to the seven (7) reserved parking spaces and up to one hundred one (101) total parking spaces to which Tenant is entitled under the Lease.

II.

Capitalized terms not defined herein shall have the meanings given to them in the Lease. This Agreement shall not be amended, changed or extended except by written instrument signed by the parties hereto. This Agreement together with the Lease constitutes the entire agreement between Landlord and Tenant relating to the Lease and the amendment thereof. Except as modified by this Agreement, the Lease remains unchanged, is ratified by the parties and continues unabated in full force and effect.

EXECUTED on 9/24, 2009, in multiple counterparts, each of which shall have the full force and effect of an original.

LANDLORD:

MEMORIAL CITY TOWERS, LTD.

By: MEMORIAL CITY TOWERS GP, LLC,
its sole General Partner

By: /s/ Randy Nerren
Randy Nerren, Senior Vice President

TENANT:

SOUTHWEST INSURANCE PARTNERS, INC., a Texas corporation

By: /s/ [ILLEGIBLE]
Name: [ILLEGIBLE]
Title: The Director

SECOND AMENDMENT OF LEASE

THIS SECOND AMENDMENT OF LEASE (this "Amendment") is entered into between MEMORIAL CITY TOWERS, LTD., a Texas limited partnership ("Landlord"), and SOUTHWEST INSURANCE PARTNERS, INC., a Texas corporation ("Tenant").

RECITALS

Landlord and Tenant previously entered into a Lease Agreement dated December 1, 2008, a First Amendment of Lease dated February 16, 2009, a Lease Commencement Agreement dated August 24, 2009, and a Supplemental Parking Agreement dated September 24, 2009 (collectively, the "Lease"), covering approximately 20,382 square feet of Rentable Area on the sixth (6^{th}) floor, Suite 600 (as more particularly described in the Lease, the "Leased Premises"), in the building known as ONE MEMORIAL CITY PLAZA located at 800 Gessner, Houston, Harris County, Texas.

Landlord and Tenant now desire to amend the Lease as set forth below.

AGREEMENTS

In consideration of the premises and mutual covenants herein contained, the undersigned parties agree that the Lease is amended as follows:

I.

Landlord leases to Tenant and Tenant leases from Landlord 3,614 additional square feet of Rentable Area (hereinafter called the "Additional Space") located on the twelfth (12^{th}) floor of the Building identified as Suite 1270, said space being shaded on the floor plan attached hereto as Exhibit A. Except as provided in Paragraphs II and III below, the Term of the Lease with respect to the Additional Space shall commence on the date Landlord tenders possession of the Additional Space to Tenant (the "Effective Date"). Except as provided in Paragraphs II and III below, commencing on the Effective Date and continuing through the remainder of the Term of the Lease, the term "Leased Premises" as used in the Lease shall be 23,996 square feet of Rentable Area, which is comprised of the 20,382 square feet of Rentable Area leased under the Lease prior to this Amendment and the 3,614 square feet of Rentable Area added to the Lease by this Amendment.

II.

(a) The term "Additional Space Rent Commencement Date" means the earlier of (1) September 15, 2010, or (2) the date on which Tenant occupies the Leased Premises for the purposes of conducting business.

(b) As a result of the leasing by Tenant of the Additional Space, the sums which Tenant shall be obligated to pay to Landlord as Base Rent shall be increased by the following:

(1) $7,529.17 per month during the period commencing on the Additional Space Rent Commencement Date and continuing through June 21, 2014; and

(2) $8,131.50 per month during the period commencing on June 22, 2014 and continuing through the remainder of the Term.

(c) Provided there is no uncured Event of Default in existence, Tenant shall be entitled to an abatement of Base Rent with respect to the Additional Space in the total amount of $ 19,809.24, to be taken in an amount equal to $7,529.17 per month, beginning on the Additional Space Rent Commencement Date and continuing until the same is fully applied.

(d) If the Additional Space Rent Commencement Date or any other date for the change of Base Rent occurs on a date other than the first of a month, the increase in Base Rent which occurs on the shall be prorated on a daily basis and in the case of the initial change as a result of the occurrence of the Additional Space Rent Commencement Date, Tenant shall pay the same within ten (10) days after the Additional Space Rent Commencement Date.

III.

In addition to the payment of the Operating Expense Component for the 20,382 square feet of Rentable Area leased by Tenant under the Lease prior to this Amendment, Tenant shall also pay Additional Rent with respect to the Operating Expense Component allocable to the Additional Space during the period commencing on the Additional Space Rent Commencement Date and continuing through the remainder of the Term.

IV.

For purposes of computing the Termination Fee under Paragraph 1 of Exhibit F of the Lease, the Termination Fee shall also include (a) the amount of the Construction Allowance set forth in this Amendment, (b) the prepaid leasing commissions paid by Landlord to Tenant's Broker in connection with this Amendment and (c) the amount of the abated Base Rent set forth in this Amendment, but only to the extent the same have exceeded a total of $63,389.56, which shall be amortized as otherwise provided in Paragraph 1 of Exhibit F of the Lease, except that the amortization period shall be over that portion of the Term from the Additional Space Rent Commencement Date through the stated Expiration Date of June 21, 2019.

V.

Tenant shall construct improvements to the Additional Space as provided in Exhibit B attached hereto. Landlord shall tender and Tenant shall accept the Additional Space in their AS-IS, WHERE-IS condition, with all faults, including both patent and latent defects, and Tenant taking possession of the Additional Space shall be conclusive evidence of the foregoing. In no event shall Landlord be responsible for any costs, expenses or delays incurred by Tenant in bringing the Additional Space or the Building into compliance with all applicable building codes, regulations, laws and ordinances. Additionally, except as expressly provided in the Lease to the contrary, **Tenant acknowledges that neither Landlord nor any agent of Landlord has made (the same being expressly DISCLAIMED) any representation or warranty, implied or express, regarding the habitability, condition, merchantability, fitness or suitability of the Building, the Garage, the Leased Premises or the Additional Space or any construction, fixtures or personal property leasehold improvements.**

VI.

Other than Yancey-Hausman Interests, Inc. ("Tenant's Broker"), Tenant represents to Landlord that it has not engaged any real estate or leasing broker, agent or finder in connection with this Lease or the transactions pursuant hereto, and Tenant's Broker is the only leasing broker, agent or finder who is entitled to a commission in connection with this Amendment or the transactions pursuant hereto, which commission shall be paid by Landlord pursuant only to a separate written agreement between Landlord and Tenant's Broker. Tenant shall indemnify, defend and hold Landlord harmless from and against any claims, costs, losses, damages, fees, fines, commissions, penalties, interest, judgments, amounts paid in settlement or expenses incurred by Landlord by virtue of a breach of this representation made by Tenant.

VII.

Beginning on the Additional Space Rent Commencement Date, the number of parking spaces which Tenant shall entitled to use shall be one hundred ten (110) parking spaces, of which up to thirty (30) of such parking spaces may be in reserved parking spaces, subject to the payment of Parking Charges as provided in the Lease.

VIII.

Capitalized terms not defined herein should have the meanings given to such terms in the Lease. The exhibits, if any, which are referred to in this Amendment and are attached to this Amendment and incorporated by reference herein. This Amendment shall not be amended, changed or extended except by written instrument signed by the parties hereto. This Amendment together with the Lease constitutes the entire agreement between Landlord and Tenant relating to the Lease and the amendment thereof and Tenant expressly acknowledges that all negotiations, letters of intent, terms sheets, considerations, representations and understandings between Landlord and Tenant are incorporated herein. Except as modified by this Amendment, the Lease remains unchanged, is ratified by the parties and continues unabated in full force and effect.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS DOCUMENT, THIS DOCUMENT SHALL BECOME EFFECTIVE AND BINDING ONLY UPON THE EXECUTION OF THIS DOCUMENT BY TENANT AND BY WAYNE HAYS (PRESIDENT AND CHIEF EXECUTIVE OFFICER), RANDY NERREN (SENIOR VICE PRESIDENT) AND WILLIAM M. MOSLEY, JR. (IN THE FORM OF AN ATTESTATION IN HIS CAPACITY AS SECRETARY OF THE GENERAL PARTNER OF LANDLORD) ON BEHALF OF LANDLORD AND THE DELIVERY OF A FULLY EXECUTED (AS SET FORTH ABOVE) ORIGINAL OF THIS DOCUMENT TO TENANT.

This Amendment is executed on August 17, 2010, in multiple counterparts, each of which shall have the full force and effect of an original.

LANDLORD:

MEMORIAL CITY TOWERS, LTD., a Texas limited partnership

By: **MEMORIAL CITY TOWERS GP, LLC,** a Delaware limited liability company, its sole General Partner

ATTEST:

/s/ William M. Mosley
William M. Mosley, Jr., Secretary

By: /s/ Wayne Hays
Wayne Hays, President & C.E.O.

By: /s/ Randy Nerren
Randy Nerren, Sr. Vice President

TENANT:

SOUTHWEST INSURANCE PARTNERS, INC., a Texas corporation

ATTEST/WITNESS:

/s/ [ILLEGIBLE]

By: /s/ Rhonda N Kemp
Name: Rhonda N Kemp
Title: CFO

Attached
Exhibit A — Additional Space
Exhibit B — Construction

EXHIBIT A
Additional Space

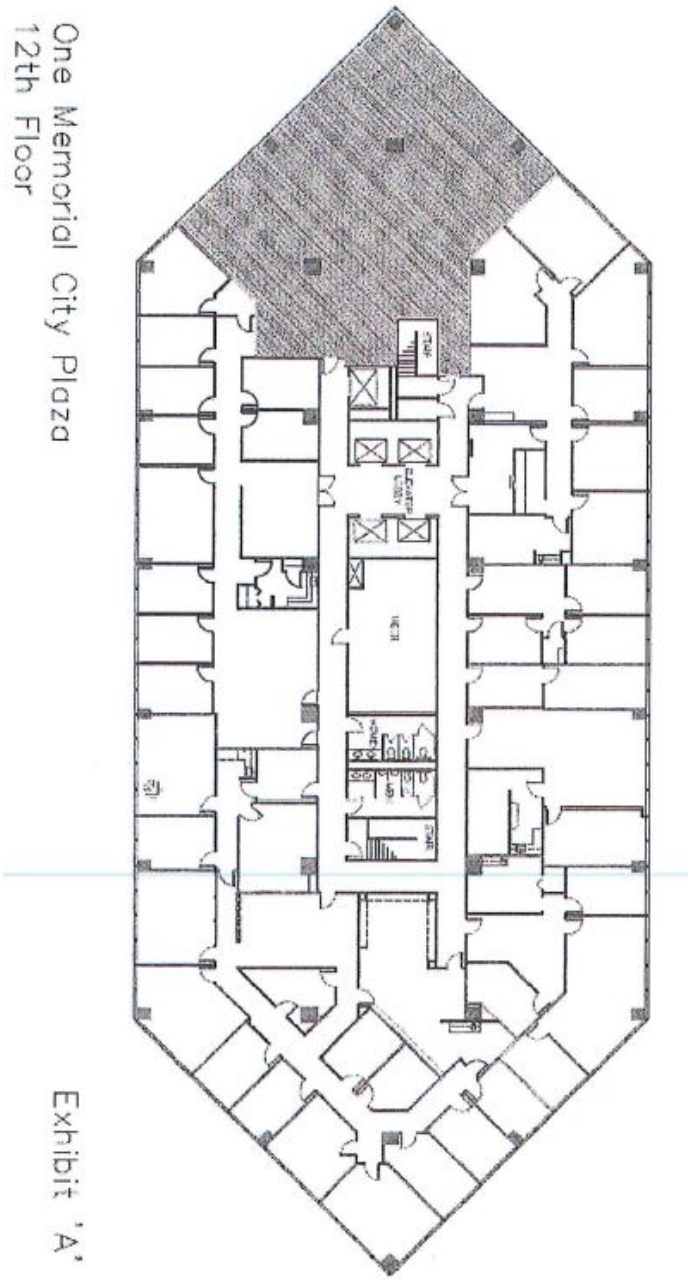


EXHIBIT B
Construction

1. Landlord hereby Tenders the Additional Space to Tenant in its current AS-IS, WHERE-IS condition and the term "Landlord's Tender" shall mean the date hereof.

2. Upon Landlord's Tender, Tenant, at its cost and expense, shall perform the following "Tenant's Work": (a) immediately (and in no event more than thirty (30) days after Landlord's Tender commence to) cause all work (including, without limitation, preparation of plans approved in advance by Landlord in accordance with Section 8.3 of the Lease, which when so approved shall be the "Plans" under this Exhibit B) required to complete and place the Additional Space in finished condition for occupancy to be commenced and pursued with due diligence until completion, to make the Additional Space ready for Tenant's occupancy; and (b) equip the Additional Space with all fixtures and equipment necessary or proper for the operation of Tenant's business. Thereafter, Tenant shall install all trade fixtures and items of personal property necessary or proper for the operation of Tenant's business and occupy the Additional Space for the conduct of business as soon as possible. All work performed by Tenant shall be done in a manner which does not interfere with completion of any work being done by Landlord or other tenants or occupants of the Project or with the use of the Project by Landlord, other tenants, occupants or guests, and all such work shall be in compliance with all rules and regulations established by Landlord, any governmental authority, any insurance company insuring Landlord or Tenant, and otherwise in full compliance with the other provisions of the Lease, including, without limitation, Section 8.3. Tenant shall furnish a copy of the building permit and construction contract with Tenant's contractor prior to commencing construction. References in this paragraph to the commencement of Tenant's Work shall mean the commencement of actual demolition, construction or installation work within the Additional Space, and not just the bidding of all or any part of such work.

3. Notwithstanding the as-is nature of Landlord's Tender, if Landlord (or Landlord's contractors) further agrees to perform at Tenant's request and upon submission by Tenant of necessary plans and specifications, any work, such work shall be performed by Landlord (or Landlord's contractors) at Tenant's sole expense. Prior to commencing any of the foregoing work, Landlord will submit to Tenant written estimates of the cost of any such work. If Tenant shall fail to approve any such estimates within five (5) business days from the date of submission thereof in writing by Landlord, then same shall be deemed disapproved in all respects by Tenant, and Landlord shall not be authorized to proceed thereon, but the same shall not delay the Rent Commencement Date. Tenant agrees to pay Landlord the cost of all such work on or before expiration of the Payment Window. Prior to Landlord's (or Landlord's contractors) commencing any such work, Tenant shall pay to Landlord (or make financial arrangements acceptable in all respects to Landlord to pay for) all (or such portion as Landlord may designate) of the estimated cost of all such work, with such amount to be applied toward the actual cost in accordance with the billing procedure described above.

4. Construction Allowance.

(a) In consideration for the performance of Tenant's Work in the Additional Space by Tenant, provided no uncured Event of Default shall then exist, Landlord agrees to reimburse the lesser of (x) $87,953.01, or (y) the total cost of Tenant's Work (the "Construction Allowance"), provided the Construction Allowance shall not in any event apply towards Tenant's trade fixtures or plan review fees. The Construction Allowance shall be paid as follows: (A) if Landlord's contractor constructs Tenant's Work, the Construction Allowance shall be paid by Landlord to Landlord's contractor for credit to the sums due under the construction contract with Tenant; or (B) if Landlord agrees in writing to the selection of a contractor other than Landlord's contractor for the construction of Tenant's Work, then Landlord shall pay to Tenant the Construction allowance within thirty (30) days after satisfaction of each of the conditions below:

(i) Tenant has submitted to Landlord a copy of all building permits with all sign-offs executed;

(ii) Tenant's delivery to Landlord of notarized, final, unconditional lien waivers and releases, in statutory form, for all contractors, subcontractors and materialmen who performed work or supplied materials in connection with the completion of Tenant's Work, and all applicable statutory lien periods have expired and no affidavits of liens have been recorded against the Additional Space, the Building or the Project; provided, that with respect to any affidavit of lien, unpaid bill notice or funds trapping notice received by Landlord, Landlord may at its option, disburse that portion of the Construction Allowance less an amount sufficient to bond around (in accordance with the Texas Property Code) the amount referenced in such instrument;

(iii) All required inspections of Tenant's Work by governmental agencies have taken place and the completed Tenant's Work has passed such inspections;

(iv) Tenant has completed Tenant's Work;

(v) Tenant has commenced business operations for the Permitted Use in the Additional Space;

(vi) If requested by Landlord, Tenant has submitted to Landlord a copy of Tenant's timely recorded Affidavit of Completion, prepared and recorded in accordance with statutory requirements and all applicable lien periods have passed;

(vii) Tenant has delivered to Landlord a final Certificate of Occupancy for the Additional Space;

(viii) Tenant has submitted to Landlord a copy of all invoices and proof of payment for Tenant's Work in at least the amount of the Construction Allowance;

(ix) Tenant has paid to Landlord all amounts owing to Landlord pursuant to the Lease as of the date reimbursement is to be made; provided, that Landlord may at its option, disburse that portion of the Construction Allowance less an amount sufficient to pay for such amounts due and owing to Landlord.

(b) Landlord's payment of any or all of the Construction Allowance shall not constitute Landlord's approval or acceptance of the work furnished or materials supplied for the Additional Space. Landlord may dispute in good faith any request for formal payment based upon material non-compliance of any of Tenant's Work with the plans approved by Landlord or any criteria promulgated by Landlord in connection therewith or due to any materially substandard work as identified in good faith by Landlord ("Substandard Work"). If Landlord identifies any Substandard Work, Landlord shall provide Tenant with a detailed statement identifying the Substandard Work, and Landlord may withhold payment from the Construction Allowance until Landlord receives reasonable evidence that the Substandard Work has been corrected. If Tenant disputes Landlord's determination of Substandard Work, the matter shall be resolved by Landlord's architect and Tenant's architect. Landlord's obligation to disburse the Construction Allowance shall be suspended during any period when Tenant is disputing Landlord's determination of Substandard Work.

MetroNational®
Investment/Development/Management

August 26, 2010

RANDY NERREN
SENIOR VICE PRESIDENT

VIA HAND DELIVERY
Southwest Insurance Partners, Inc.
800 Gessner, Suite 600
Houston, Texas 77024
Attn: Managing Director

Re: **Supplemental Letter Agreement** to Lease Agreement dated December 1, 2008 (as amended, the "Lease"), between MEMORIAL CITY TOWERS, LTD., as "Landlord", and SOUTHWEST INSURANCE PARTNERS, INC., as "Tenant", covering approximately 23,996 square feet of rentable area in the building known as ONE MEMORIAL CITY PLAZA, located at 800 Gessner, Houston, Harris County, Texas 77024 (the "Building")

Ladies and Gentlemen:

The purpose of this letter is to notify Tenant that Landlord has received and accepted a bona fide offer from a prospective third party tenant with respect to the leasing of the approximately 20,382 square feet of Rentable Area consisting of the entire seventh (7^{th}) floor of the Building. Such space constitutes all or a portion of the Preferential Right Space to which you have a Preferential Right to lease.

Tenant shall have ten (10) days from the date of this letter in which it may elect in writing to lease the portion of the Preferential Right Space which is the subject of such third party offer. In accordance with the Lease, the terms of the third party offer are as follows:

1) Base Rental commencing on the commencement date of the term of the Preferential Right Space would be $43,311.75 per month for years 1-3, $46,708.75 per month for years 4-6, and $49,256.50 per month for years 7-8. Base Rental for the first two (2) months of the term of the Preferential Right Space shall be abated.

2) Additional Rent for Building Operating Costs applicable to the Preferential Right Space shall be based upon a Basic Cost equal to the Building Operating Costs per square foot of Rentable Area for the fiscal year ending March 31, 2011.

3) Landlord shall construct building standard improvements to the Preferential Right Space, not to exceed $407,460.00 in cost. Landlord to construct improvements to the seventh (7^{th}) floor elevator lobby consistent with the standard finishes used to construct the second (2^{nd}) floor elevator lobby.

4) 80 parking spaces at $25.00 per month per car per non-reserved parking space and any reserved parking spaces at $50.00 per month per car per reserved parking spaces, but non-reserved parking charges are abated for the first eighteen (18) months.

5) Term commencing November 1, 2010, and expiring on October 31, 2018, with one (1) five (5) year extension option at the then prevailing rate.

The above are the terms of this third party offer. Landlord shall tender and Tenant shall accept such Preferential Right Space in its "AS-IS" condition subject to the construction of building standard improvements in item 3 above.

In the event Tenant declines to exercise its Preferential Right to Lease with respect to this third party offer, please indicate such by executing four (4) copies of this letter in the space indicated below (which may be valid even if only one (1) copy is executed and transmitted by facsimile or scanned image). If Tenant is not interested in expanding at this time, this will allow us to proceed in a more timely manner with the third party. Otherwise, time is of the essence should Tenant be considering exercise its Preferential Right to Lease in accordance with the Lease (which may require some adjustment to the terms of the third party offer as set forth in the Lease) with respect to this third party offer.

Your prompt attention to this matter is greatly appreciated.

Sincerely,

MEMORIAL CITY TOWERS, LTD.
By: Memorial City Towers GP, LLC

By: /s/ Randy Nerren
Randy Nerren, Senior Vice President

cc: Christopher L. Martin
Nathan, Sommers, Jacobs
2800 Post Oak Boulevard, 61st Floor
Houston, Texas 77056
(*via certified mail, return receipt requested*)

TENANT ACKNOWLEDGMENT AND AGREEMENT

I, /s/ Rhonda N Kemp (Rhonda N Kemp)
(*signature*) (*printed name*)
CFO
(*title*)
of Tenant, on behalf of Tenant, do hereby decline to exercise the above Preferential Right to Lease with respect to this prospective third party tenant offer and acknowledge that this Supplemental Letter Agreement amends and supplements the Lease to reflect the foregoing.

I, [ILLEGIBLE], on behalf of **Memorial City Towers, Ltd.**, did on this the 26th day of August, 2010, at 12:00 o'clock am/pm, hand delivered an envelope containing a **Preferential Rights Letter** to **Southwest Insurance Partners, Inc.** directly to Desiree (Southwest Insurance Partners, Inc. Representative) at the Leased Premises occupied by **Southwest Insurance Partners, Inc..** The person I hand delivered the envelope to, is over the age of sixteen (16).

/s/ [ILLEGIBLE]

Memorial City Towers, Ltd. Representative

SUPPLEMENTAL COMMENCEMENT AGREEMENT

THIS SUPPLEMENTAL COMMENCEMENT AGREEMENT (this "Agreement") is entered into between MEMORIAL CITY TOWERS, LTD., a Texas limited partnership ("Landlord"), and SOUTHWEST INSURANCE PARTNERS, INC., a Texas corporation ("Tenant").

RECITALS

Landlord and Tenant previously entered into a Lease Agreement dated December 1, 2008, a First Amendment of Lease dated February 16, 2009, a Lease Commencement Agreement dated August 24, 2009, a Supplemental Parking Agreement dated September 24, 2009, and a Second Amendment of Lease dated August 17, 2010 (and together with any permitted lease assignments and properly delivered notification letters, collectively, the "Lease"), covering 20,382 square feet of Rentable Area on the sixth (6th) floor, Suite 600 and 3,614 square feet of Rentable Area on the twelfth (12^{th}) floor, Suite 1270 (as more particularly described in the Lease, collectively, the "Leased Premises"), in the building known as ONE MEMORIAL CITY PLAZA located at 800 Gessner in Houston, Harris County, Texas.

Pursuant to the Second Amendment of Lease referred to above, Landlord has delivered the Additional Space to Tenant and Tenant has accepted the same, and the Additional Space has been added to the Leased Premises under the Lease. Landlord and Tenant wish to confirm the Additional Space Rent Commencement Date.

AGREEMENTS

In consideration of the premises and mutual covenants herein contained, the undersigned parties agree that the Lease is amended and/or confirmed as follows:

I.

The Additional Space Rent Commencement Date (referred to in the Second Amendment of Lease referred to in the recitals of this Agreement) is September 15, 2010. The abatement of Base Rent provided for in the Second Amendment of Lease referred to in the recitals of this Agreement shall begin on September 15, 2010. The stated Expiration Date of Term of the Lease is not affected by this date and remains June 21, 2019.

II.

Capitalized terms not defined herein shall have the meanings given to them in the Lease. This Agreement shall not be amended, changed or extended except by written instrument signed by the parties hereto. This Agreement together with the Lease constitutes the entire agreement between Landlord and Tenant relating to the Lease and the amendment thereof and Tenant expressly acknowledges that all negotiations, letters of intent, terms sheets, considerations, representations and understandings between Landlord and Tenant are incorporated herein. Except as modified by this Agreement, the Lease remains unchanged, is ratified by the parties and continues unabated in full force and effect.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS DOCUMENT, THIS DOCUMENT SHALL BECOME EFFECTIVE AND BINDING ONLY UPON THE EXECUTION OF THIS DOCUMENT BY TENANT AND BY WAYNE HAYS (PRESIDENT AND CHIEF EXECUTIVE OFFICER), RANDY NERREN (SENIOR VICE PRESIDENT) AND WILLIAM M. MOSLEY, JR. (IN THE FORM OF AN ATTESTATION IN HIS CAPACITY AS SECRETARY) ON BEHALF OF LANDLORD AND THE DELIVERY OF A FULLY EXECUTED ORIGINAL OF THIS DOCUMENT TO TENANT.

EXECUTED on November 8, 2010, in multiple counterparts, each of which shall have the full force and effect of an original.

LANDLORD:

MEMORIAL CITY TOWERS, LTD.

ATTEST:

By: **MEMORIAL CITY TOWERS GP, LLC,** its sole General Partner

/s/ William M. Mosley
William M. Mosley, Jr., Secretary

By: /s/ Wayne Hays
Wayne Hays, President & CEO

By: /s/ Randy Nerren
Randy Nerren, Senior Vice President

TENANT:

ATTEST:

SOUTHWEST INSURANCE PARTNERS, INC.

/s/ [ILLEGIBLE]
(Assistant) Secretary

By: /s/ Rhonda N Kemp
Name: Rhonda N Kemp
Title: CFO

LICENSE AGREEMENT

This LICENSE AGREEMENT (this "Agreement") is made and entered into on February 7, 2012, 2012 (the "Effective Date"), between MEMORIAL CITY TOWERS, LTD. ("Owner"), and HOUSTON INTERNATIONAL INSURANCE GROUP, LTD. ("User").

RECITALS

Owner (as Landlord) and User (as Tenant) are parties to that certain Lease Agreement dated December 1, 2008 (as amended, the "Lease") concerning certain premises in the Building. The parties desire to enter into in this Agreement to allow User to use the Premises on the terms and conditions set forth below.

AGREEMENTS

In consideration of the mutual premises, covenants and agreements hereinafter set forth, it is agreed by and between the parties as follows:

1. Owner grants User a nonexclusive license to occupy and use, subject to all the terms and conditions hereinafter stated, the premises identified as Suite 375, covering approximately 3,546 square feet on the third (3rd) floor in the building known as One Memorial City Plaza (the "Building") located at 800 Gessner in Houston, Harris County, Texas, which premises are reflected on Exhibit A attached hereto and incorporated by reference herein for all purposes (the "Premises"). User acknowledges that this Agreement is nonexclusive in that Owner shall also have at all times unfettered access to and possession of the Premises for any reasonable purpose, including, but not limited to, construction and remodeling activities.

2. The Premises may be occupied and used by User solely to store furniture, files, office equipment and other similar items. User shall not make any modifications or improvements to the Premises.

3. The term of this Agreement shall commence on February 1, 2012, and shall continue through the earlier of (a) February 29, 2012, (b) User ceases using the Premises, or (c) the date on which the Lease expires or terminates or User's right to possession of the "Leased Premises" described in the Lease is terminated. Notwithstanding the foregoing, Owner or User shall have the right to terminate the term of this Agreement upon five (5) days' prior written notice to the other party.

4. Owner shall tender to User and User accepts the Premises in their AS-IS, WHERE-IS condition, with all faults, including both patent and latent defects, and User taking possession of the Premises shall be conclusive evidence of the foregoing. **Additionally, User acknowledges that neither Owner nor any agent of Owner has made (the same being expressly DISCLAIMED) any representation or warranty, implied or express, regarding the habitability, condition, merchantability, fitness or suitability of the Premises or any fixtures or personal property leasehold improvements.**

5. User shall be entitled to the use of the Premises at a cost of Zero ($0) per month (the "Base License Fee"). User agrees to pay to Owner the Base License Fee set forth herein at the same address for payments to Owner due under the Lease on or before the first (1st) day of each calendar month, monthly in advance, during tire term of this Agreement. Payments for any partial month shall be prorated.

6. User shall at all times during its use of the Premises provide sufficient supervision and maintain adequate control of any person having access to the Premises, by, through or under User.

7. User shall use and operate the Premises in a careful, responsible, safe, clean and prudent manner. User shall not permit any activities in the use of the Premises which are in violation of any ordinance, code, statute, law or regulation (federal, state or local) or which would violate the Lease if they had been performed within the "Leased Premises" described in the Lease. User shall not permit any activities to occur in the Building which would violate the Lease or any rules and regulations applicable to the Building.

8. User shall indemnify, defend and hold harmless Owner, its parents, subsidiaries and affiliates and their agents, officers, managers and employees (the "Indemnified Parties") from and against all claims, damages, liability and expense in connection with loss of life, bodily or personal injury, including bodily injury or loss of life to User or any other persons or parties and/or damages to property arising from or out of any occurrence in, upon or at the Premises and/or the Building occasioned wholly or in part by any act or omission of User or User's related parties, EVEN IF CAUSED OR ALLEGED TO BE CAUSED IN PART BY THE NEGLIGLENT ACTS OR OMISSIONS ON THE PART OF THE INDEMNIFIED PARTIES (BUT NOT IF CAUSED SOLELY BY THE NEGLIGENT ACTS OR OMISSIONS OF THE INDEMNIFIED PARTIES). In the event Owner shall be made a party to any litigation commenced by or against User, User shall defend and hold Owner and its agents and employees harmless and shall pay all costs, expenses and reasonable attorneys' fees incurred or paid by the above in connection with such litigation. User shall on demand reimburse Owner for any expense or damage which Owner may incur or sustain due to User's failure to comply with this Agreement. User shall cause the insurance required to be carried by User under the Lease to also apply to User's use and occupancy of the Premises (including, without limitation, any provisions relating to Owner's additional insured or loss payee status and all provisions relating to Tenant and Tenant's insurers waiving claims and rights of subrogation against Owner).

9. User agrees at the expiration of the term of this Agreement to remove User's property and effects from the Premises, User agrees not to: harm the Premises; commit any nuisance; make any use of the Premises which is offensive as determined by Owner in its sole discretion; nor do any act tending to injure the reputation of Owner.

10. In the event of any failure of User to perform any of the terms, conditions or covenants of this Agreement to be observed or performed by User, then Owner, in addition to any other rights or remedies it may have at law or in equity, shall have the immediate right to terminate this Agreement and/or to re-enter and remove all persons and property from the Premises; such property may be removed and stored in a public warehouse or elsewhere at the cost of, and for the account of User, all without service of notice or resort of legal process and without being deemed guilty of trespass, or becoming liable for any loss or damage which may be occasioned thereby. Any breach of this Agreement by User shall constitute an "Event of Default" under the Lease, and the occurrence of an Event of Default under the Lease shall be a breach of this Agreement by User entitling Owner to exercise its rights hereunder. If User does not surrender possession of the Premises at the expiration of the term of this Agreement, then for each day after thereafter until User surrenders possession of the Premises, User shall pay to Owner an amount equal to twenty-five cents square foot of net rentable area comprising the Premises and User shall be a tenant-at-sufferance (and Owner shall be entitled to file a forcible detainer action on the first such day that User has failed to surrender possession of the Premises) and shall continue to be subject to the restrictions on and covenants of User in this Agreement.

11. Nothing contained herein shall be deemed or construed by the parties hereto, nor by any third party, as creating the relationship of principal and agent or of partnership or of joint venture between the parties hereto, it being understood and agreed that nothing contained herein, nor any acts of the parties hereto, shall be deemed to create any relationship between the parties hereto other than the relationship of licensor and licensee. Neither acceptance or billing of the Base License Fee by Owner nor failure by Owner to complain of any action, non-action or default of User shall constitute a waiver of any of Owner's rights hereunder. Waiver by Owner of any right for any breach by User shall not constitute a waiver of any right for either a subsequent breach of the same obligation or any other breach. The sending of a notice by Owner or giving of a cure period (or an additional cure period) for any matter shall not entitle User or any other party to any further notice or demand or entitle User to any future notice or cure period that is not required by tins Agreement. In all instances where User is required hereunder to pay any sum or do any act at a particular indicated time or within an indicated period, it is understood that time is of the essence. Owner shall have the same limitations on its liability and obligations under this Agreement that Owner has under the Lease and shall not be liable or obligated to User hereunder in a manner greater than that which Owner is obligated or liable to the User under the Lease. User may not assign this Agreement or its rights hereunder except to a permitted assignee of the Lease in connection with an assignment of the Lease which is permitted thereby; otherwise assignment or subletting by User is prohibited. The provisions of this Agreement shall survive termination or expiration of this Agreement. This Agreement shall be construed under the laws of the State of Texas. This Agreement may not be altered, changed, amended, modified, renewed or extended, except by an instrument in writing signed in the form of a manual signature by the parties hereto. This Agreement constitutes the entire agreement between Owner and User relating to the use of the Premises; and User expressly acknowledges that all negotiations, letters of intent, terms sheets, considerations, representations and understandings between Owner and User relating to the use of the Premises have been incorporated into and superseded by the written provisions of this Agreement and may be modified or altered only by agreement in writing between Owner and User, and no act or omission by any employee or agent of Owner shall alter, change or modify any of the provisions hereof. Any notice which one party may deem appropriate to give to the other shall be given to the address set forth in the Lease (except that if the address of User under the Lease is the "Leased Premises" described in the Lease and User is not occupying the "Leased Premises" under the Lease but is instead occupying the Premises hereunder, then User's address for notice hereunder and under the Lease shall be the Premises), in the manner set forth in the Lease.

IN WITNESS WHEREOF, the parties have executed this agreement as of the Effective Date.

USER:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.

By: /s/ Ahmad Mian

Name: Ahmad Mian

Title: SVP of Operations & Group CIO

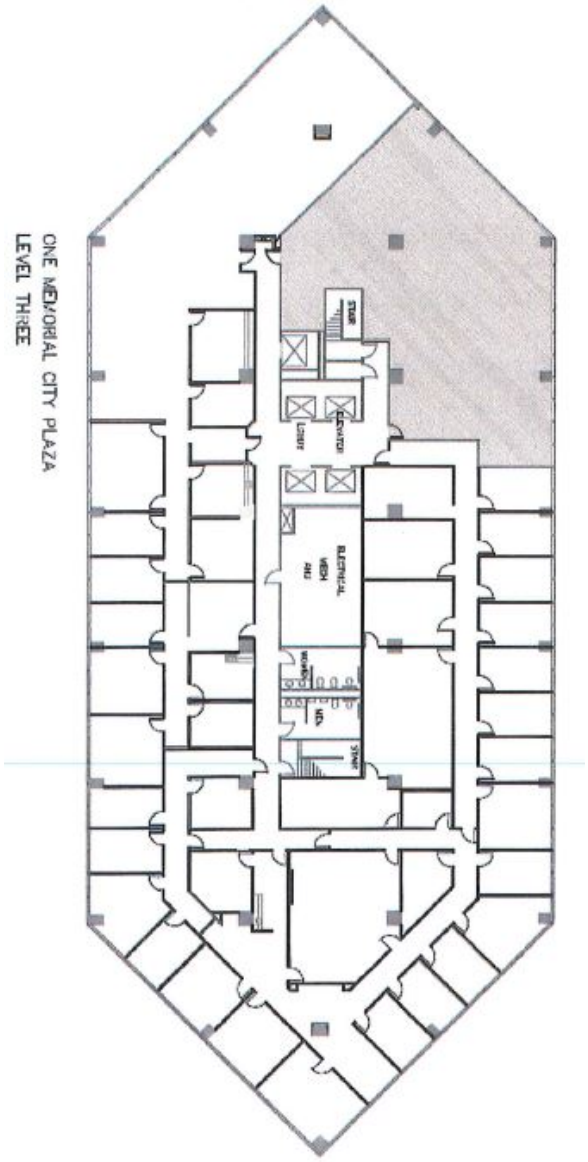
OWNER:

MEMORIAL CITY TOWERS, LTD.

By: Memorial City Towers GP, LLC, its sole general partner

By: /s/ Randy Nerren
Name: Randy Nerren
Title: Senior Vice President

EXHIBIT A
Premises
(Shaded Area)



THIRD AMENDMENT OF LEASE

THIS THIRD AMENDMENT OF LEASE (this "Amendment") is entered into between MEMORIAL CITY TOWERS, LTD., a Texas limited partnership ("Landlord"), and HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation ("Tenant").

RECITALS

Landlord and Tenant (as successor by merger to Southwest Insurance Partners, Inc.) previously entered into a Lease Agreement dated December 1, 2008, a First Amendment of Lease dated February 16, 2009, a Lease Commencement Agreement dated August 24, 2009, a Supplemental Parking Agreement dated September 24, 2009, a Second Amendment of Lease dated August 17, 2010, and a Supplemental Commencement Agreement dated November 8, 2010 (and together with any permitted lease assignments and properly delivered notification letters, collectively, the "Lease"), covering approximately 23,996 square feet of Rentable Area on the sixth (6th) floor, Suite 600 and the twelfth (12th) floor, Suite 1270 (as more particularly described in the Lease, the "Leased Premises"), in the building known as ONE MEMORIAL CITY PLAZA located at 800 Gessner, Houston, Harris County, Texas.

Landlord and Tenant now desire to amend the Lease as set forth below.

AGREEMENTS

In consideration of the premises and mutual covenants herein contained, the undersigned parties agree that the Lease is amended as follows:

I.

Landlord leases to Tenant and Tenant leases from Landlord an additional 5,884 square feet of Rentable Area (hereinafter called the "Additional Space") located on the twelfth (12th) floor of the Building identified as Suite 1200, said space being shaded on the floor plan attached hereto as Exhibit A. Except as provided in Paragraphs II and III below, the Term of the Lease with respect to the Additional Space shall commence on the date Landlord tenders possession of the Additional Space to Tenant. The Additional Space is currently occupied by another occupant and tender of possession of the Additional Space will not occur until such existing occupant vacates and surrenders the Additional Space after Landlord relocates such existing occupant (and Landlord will be deemed to have tendered possession of the Additional Space to Tenant on such date even if Tenant has not actually taken possession of the Additional Space, which date shall be "Landlord's Tender"). Landlord will diligently pursue relocation of such existing occupant. Landlord estimates that Landlord's Tender will occur by approximately June 1, 2013, but Tenant releases Landlord from any claims against Landlord for any delay in the date of Landlord's Tender; provided, however, that if Landlord's Tender has not occurred by August 31, 2013 (as such date may be extended by Force Majeure) then Tenant may terminate this Amendment upon thirty (30) days' prior written notice to Landlord; provided, further, that if during such thirty (30) day period Landlord causes Landlord's Tender to occur, such termination shall be vitiated and shall be of no force or effect and this Amendment will continue in full force and effect. If this Amendment is terminated pursuant to the previous sentence, Tenant will reimburse Landlord for the amount of any commission paid to Tenant's Broker in connection with this Amendment which Tenant's Broker does not repay to Landlord. Except as provided in Paragraphs II and III below, commencing on Landlord's Tender and continuing through the remainder of the Term of the Lease, the term "Leased Premises" as used in the Lease shall be 29,880 square feet of Rentable Area, which is comprised of the 23,996 square feet of Rentable Area leased under the Lease prior to this Amendment and the 5,884 square feet of Rentable Area added to the Lease by this Amendment.

II.

(a) As a result of the leasing by Tenant of the Additional Space, effective on the earlier of (x) ninety (90) days after Landlord's Tender of the Additional Space or (y) the date Tenant begins conducting business from within the Additional Space (which date is the "Additional Space Rent Commencement Date") the sums which Tenant shall be obligated to pay to Landlord as Base Rent shall be increased by the following:

(1) $12,258.33 per month during the period commencing on the Additional Space Rent Commencement Date and continuing through June 21, 2014; and

(2) $13,239.00 per month during the period commencing on June 22, 2014 and continuing through the remainder of the Term.

(b) If the Additional Space Rent Commencement Date or any other date for the change of Base Rent occurs on a date other than the first of a month, the increase in Base Rent which occurs on the shall be prorated on a daily basis and in the case of the initial change as a result of the occurrence of the Additional Space Rent Commencement Date, Tenant shall pay the same within ten (10) days after the Additional Space Rent Commencement Date.

III.

In addition to the payment of the Operating Expense Component for the 23,996 square feet of Rentable Area leased by Tenant under the Lease prior to this Amendment, Tenant shall also pay Additional Rent with respect to the Operating Expense Component allocable to the Additional Space during the period commencing on the Additional Space Rent Commencement Date and continuing through the remainder of the Term.

IV.

For purposes of computing the Termination Fee under Paragraph 1 of Exhibit F of the Lease, the Termination Fee shall also include (a) the amount of the Construction Allowance set forth in this Amendment, and (b) the prepaid leasing commissions paid by Landlord to Tenant's Broker in connection with this Amendment, which shall be amortized as otherwise provided in Paragraph 1 of Exhibit F of the Lease, except that the amortization period shall be over that portion of the Term from the Additional Space Rent Commencement Date through the stated Expiration Date of June 21, 2019.

V.

Tenant shall construct improvements to the Additional Space as provided in Exhibit B attached hereto. Landlord shall tender and Tenant shall accept the Additional Space in their AS-IS, WHERE-IS condition, with all faults, including both patent and latent defects, and Tenant taking possession of the Additional Space shall be conclusive evidence of the foregoing. In no event shall Landlord be responsible for any costs, expenses or delays incurred by Tenant in bringing the Additional Space into compliance with all applicable building codes, regulations, laws and ordinances. Additionally, except as expressly provided in the Lease to the contrary, **Tenant acknowledges that neither Landlord nor any agent of Landlord has made (the same being expressly DISCLAIMED) any representation or warranty, implied or express, regarding the habitability, condition, merchantability, fitness or suitability of the Building, the Garage, the Leased Premises or the Additional Space or any construction, fixtures or personal property leasehold improvements.**

VI.

Beginning on the Additional Space Rent Commencement Date, the number of parking spaces which Tenant shall entitled to use shall be up to one hundred thirty-four (134) parking spaces, of which up to thirty (30) of such parking spaces may be in reserved parking spaces, subject to the payment of Parking Charges as provided in the Lease.

VII.

Other than Pollan Hausman Real Estate Services, LLC (Attn: Craig Hausman) ("Tenant's Broker"). Tenant represents to Landlord that it has not engaged any real estate or leasing broker, agent or finder in connection with this Lease or the transactions pursuant hereto, and Tenant's Broker is the only leasing broker, agent or finder who is entitled to a commission in connection with this Amendment or the transactions pursuant hereto, which commission shall be paid by Landlord pursuant only to a separate written agreement between Landlord and Tenant's Broker. Tenant shall indemnify, defend and hold Landlord harmless from and against any claims, costs, losses, damages, fees, fines, commissions, penalties, interest, judgments, amounts paid in settlement or expenses incurred by Landlord by virtue of a breach of this representation made by Tenant.

VIII.

Capitalized terms not defined herein shall have the meanings given to them in the Lease. The Exhibits, if any, attached to this Amendment and referred to herein are incorporated herein for all purposes. This Amendment and the Lease shall not be amended, changed or extended except by written instrument signed in the form of manual signatures by the parties hereto. This Amendment together with the Lease constitutes the entire agreement between Landlord and Tenant relating to the Lease and the amendment thereof and Tenant expressly acknowledges that all negotiations, letters of intent, terms sheets, considerations, representations and understandings between Landlord and Tenant have been superseded by and are incorporated into the Lease, as amended by this Amendment. Except as modified by this Amendment, the Lease remains unchanged, is ratified by the parties and continues unabated in full force and effect.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS DOCUMENT, THIS DOCUMENT SHALL BECOME EFFECTIVE AND BINDING ONLY UPON THE EXECUTION OF THIS DOCUMENT IN THE FORM OF MANUAL SIGNATURES BY TENANT AND BY DAVID KELLEY (PRESIDENT AND CHIEF OPERATING OFFICER), RANDY NERREN (SENIOR VICE PRESIDENT) AND WILLIAM M. MOSLEY, JR. (IN THE FORM OF AN ATTESTATION IN HIS CAPACITY AS SECRETARY OF THE GENERAL PARTNER OF LANDLORD) ON BEHALF OF LANDLORD AND THE DELIVERY OF A FULLY EXECUTED (AS SET FORTH ABOVE) ORIGINAL OF THIS DOCUMENT TO TENANT.

This Amendment is executed on February 20, 2013, in multiple counterparts, each of which shall have the full force and effect of an original.

LANDLORD:

MEMORIAL CITY TOWERS, LTD., a Texas limited partnership

By: **MEMORIAL CITY TOWERS GP, LLC,** a Delaware limited liability company, its sole General Partner

ATTEST:

/s/ William M. Mosley
William M. Mosley Jr., Secretary

By: /s/ David Kelley
David Kelley, President & C.O.O.

By: /s/ Randy Nerren
Randy Nerren, Sr. Vice President

TENANT:

ATTEST/WITNESS:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation

/s/ [ILLEGIBLE]

By: /s/ Ahmad Mian
Name: Ahmad Mian
Title: SVP of Operations & Group CIO

Attached
Exhibit A — Additional Space
Exhibit B — Construction

EXHIBIT A
Additional Space
(Shaded Area)

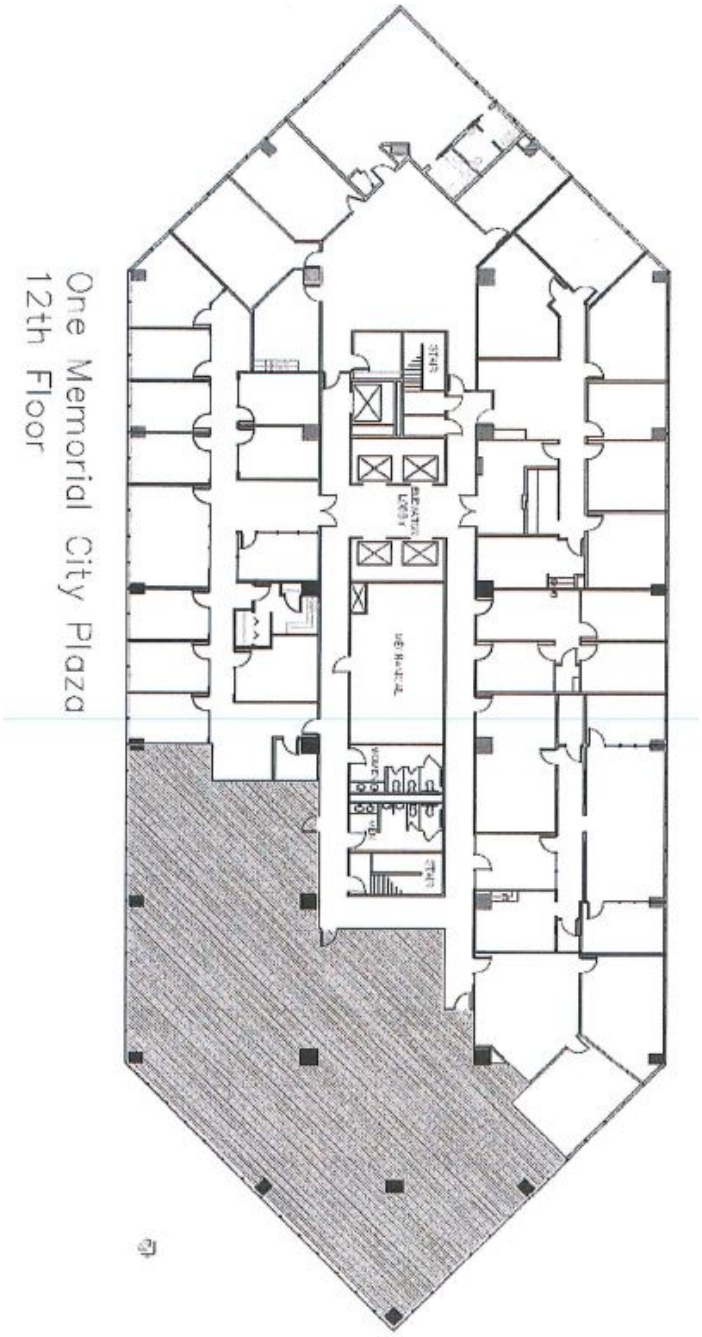


EXHIBIT B
Construction

1. On Landlord's Tender, Landlord shall tender the Additional Space to Tenant in its then current AS-IS, WHERE-IS condition.

2. Upon Landlord's Tender, Tenant, at its cost and expense, shall perform the following "Tenant's Work": (a) immediately (and in no event more than thirty (30) days after Landlord's Tender commence to) cause all work (including, without limitation, preparation of plans approved in advance by Landlord in accordance with Section 8.3 of the Lease, which when so approved shall be the "Plans" under this Exhibit B) required to complete and place the Additional Space in finished condition for occupancy to be commenced and pursued with due diligence until completion, to make the Additional Space ready for Tenant's occupancy; and (b) equip the Additional Space with all fixtures and equipment necessary or proper for the operation of Tenant's business. Thereafter, Tenant shall install all trade fixtures and items of personal property necessary or proper for the operation of Tenant's business and occupy the Additional Space for the conduct of business as soon as possible. All work performed by Tenant shall be done in a manner which does not interfere with completion of any work being done by Landlord or other tenants or occupants of the Project or with the use of the Project by Landlord, other tenants, occupants or guests, and all such work shall be in compliance with all rules and regulations established by Landlord, any governmental authority, any insurance company insuring Landlord or Tenant, and otherwise in full compliance with the other provisions of the Lease, including, without limitation, Section 8.3. Tenant shall furnish a copy of the building permit and construction contract with Tenant's contractor prior to commencing construction. References in this paragraph to the commencement of Tenant's Work shall mean the commencement of actual demolition, construction or installation work within the Additional Space, and not just the bidding of all or any part of such work.

3. Notwithstanding the as-is nature of Landlord's Tender, if Landlord (or Landlord's contractors) further agrees to perform at Tenant's request and upon submission by Tenant of necessary plans and specifications, any work, such work shall be performed by Landlord (or Landlord's contractors) at Tenant's sole expense. Prior to commencing any of the foregoing work, Landlord will submit to Tenant written estimates of the cost of any such work. If Tenant shall fail to approve any such estimates within five (5) business days from the date of submission thereof in writing by Landlord, then same shall be deemed disapproved in all respects by Tenant, and Landlord shall not be authorized to proceed thereon, but the same shall not delay the Rent Commencement Date. Tenant agrees to pay Landlord the cost of all such work on or before expiration of the Payment Window. Prior to Landlord's (or Landlord's contractors) commencing any such work, Tenant shall pay to Landlord (or make financial arrangements acceptable in all respects to Landlord to pay for) all (or such portion as Landlord may designate) of the estimated cost of all such work, with such amount to be applied toward the actual cost in accordance with the billing procedure described above.

4. Construction Allowance.

(a) In consideration for the performance of Tenant's Work in the Additional Space by Tenant, provided no uncured Event of Default shall then exist, Landlord agrees to reimburse the lesser of (x) $88,260.00, or (y) the total cost of Tenant's Work (the "Construction Allowance"), provided the Construction Allowance shall not in any event apply towards Tenant's trade fixtures or plan review fees. The Construction Allowance shall be paid as follows: (A) if Landlord's contractor constructs Tenant's Work, the Construction Allowance shall be paid by Landlord to Landlord's contractor for credit to the sums due under the construction contract with Tenant; or (B) if Landlord agrees in writing to the selection of a contractor other than Landlord's contractor for the construction of Tenant's Work, then Landlord shall pay to Tenant the Construction allowance within thirty (30) days after satisfaction of each of the conditions below:

(i) Tenant has submitted to Landlord a copy of all building permits with all sign-offs executed;

(ii) Tenant's delivery to Landlord of notarized, final, unconditional lien waivers and releases, in statutory form, for all contractors, subcontractors and materialmen who performed work or supplied materials in connection with the completion of Tenant's Work, and all applicable statutory lien periods have expired and no affidavits of liens have been recorded against the Additional Space, the Building or the Project; provided, that with respect to any affidavit of lien, unpaid bill notice or funds trapping notice received by Landlord, Landlord may at its option, disburse that portion of the Construction Allowance less an amount sufficient to bond around (in accordance with the Texas Property Code) the amount referenced in such instrument;

(iii) All required inspections of Tenant's Work by governmental agencies have taken place and the completed Tenant's Work has passed such inspections;

(iv) Tenant has completed Tenant's Work;

(v) Tenant has commenced business operations for the Permitted Use in the Additional Space;

(vi) If requested by Landlord, Tenant has submitted to Landlord a copy of Tenant's timely recorded Affidavit of Completion, prepared and recorded in accordance with statutory requirements and all applicable lien periods have passed;

(vii) Tenant has delivered to Landlord a final Certificate of Occupancy for the Additional Space;

(viii) Tenant has submitted to Landlord a copy of all invoices and proof of payment for Tenant's Work in at least the amount of the Construction Allowance;

(ix) Tenant has paid to Landlord all amounts owing to Landlord pursuant to the Lease as of the date reimbursement is to be made; provided, that Landlord may at its option, disburse that portion of the Construction Allowance less an amount sufficient to pay for such amounts due and owing to Landlord.

(b) Landlord's payment of any or all of the Construction Allowance shall not constitute Landlord's approval or acceptance of the work furnished or materials supplied for the Additional Space. Landlord may dispute in good faith any request for formal payment based upon material non-compliance of any of Tenant's Work with the plans approved by Landlord or any criteria promulgated by Landlord in connection therewith or due to any materially substandard work as identified in good faith by Landlord ("Substandard Work"). If Landlord identifies any Substandard Work, Landlord shall provide Tenant with a detailed statement identifying the Substandard Work, and Landlord may withhold payment from the Construction Allowance until Landlord receives reasonable evidence that the Substandard Work has been corrected. If Tenant disputes Landlord's determination of Substandard Work, the matter shall be resolved by Landlord's architect and Tenant's architect. Landlord's obligation to disburse the Construction Allowance shall be suspended during any period when Tenant is disputing Landlord's determination of Substandard Work.

SUPPLEMENTAL COMMENCEMENT AGREEMENT

THIS SUPPLEMENTAL COMMENCEMENT AGREEMENT (this "Agreement") is entered into between MEMORIAL CITY TOWERS, LTD., a Texas limited partnership ("Landlord"), and HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation ("'Tenant").

RECITALS

Landlord and Tenant (as successor by merger to Southwest Insurance Partners, Inc.) previously entered into a Lease Agreement dated December 1, 2008, a First Amendment of Lease dated February 16, 2009, a Lease Commencement Agreement dated August 24, 2009, a Supplemental Parking Agreement dated September 24, 2009, a Second Amendment of Lease dated August 17, 2010, a Supplemental Commencement Agreement dated November 8, 2010, and a Third Amendment of Lease dated February 20, 2013 (and together with any permitted lease assignments and properly delivered notification letters, collectively, the "Lease"), covering approximately 29,880 square feet of Rentable Area on the on the sixth (6^{th}) floor, Suite 600 and the twelfth (12^{th}) floor, Suite 1200 and Suite 1270 (as more particularly described in the Lease, the "Leased Premises"), in the building known as ONE MEMORIAL CITY PLAZA located at 800 Gessner in Houston, Harris County, Texas.

Pursuant to the Third Amendment of Lease referred to above, Landlord has delivered the Additional Space to Tenant and Tenant has accepted the same and is now occupying the Additional Space, and the Additional Space has been added to the Leased Premises under the Lease. Landlord and Tenant wish to confirm the Additional Space Rent Commencement Date.

AGREEMENTS

In consideration of the premises and mutual covenants herein contained, the undersigned parties agree that the Lease is amended and/or confirmed as follows:

I.

The Additional Space Rent Commencement Date (referred to in the Third Amendment of Lease referred to in the recitals of this Agreement) is September 9, 2013.

II.

Capitalized terms not defined herein shall have the meanings given to them in the Lease. This Agreement and the Lease shall not be amended, changed or extended except by written instrument signed in the form of manual signatures by the parties hereto. This Agreement together with the Lease constitutes the entire agreement between Landlord and Tenant relating to the Lease and the amendment thereof and Tenant expressly acknowledges that all related negotiations, letters of intent, terms sheets, considerations, representations and understandings between Landlord and Tenant have been superseded by and are incorporated into the Lease, as amended by this Agreement. Except as modified by this Agreement, the Lease remains unchanged, is ratified by the parties and continues unabated in full force and effect.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS DOCUMENT, THIS DOCUMENT SHALL BECOME EFFECTIVE AND BINDING ONLY UPON THE EXECUTION OF THIS DOCUMENT IN THE FORM OF MANUAL SIGNATURES BY TENANT AND BY DAVID KELLEY (PRESIDENT AND CHIEF OPERATING OFFICER), RANDY NERREN (EXECUTIVE VICE PRESIDENT) AND WILLIAM M. MOSLEY, JR. (IN THE FORM OF AN ATTESTATION IN HIS CAPACITY AS SECRETARY) ON BEHALF OF LANDLORD AND THE DELIVERY OF A FULLY EXECUTED ORIGINAL OF THIS DOCUMENT TO TENANT.

EXECUTED on September 25, 2013, in multiple counterparts, each of which shall have the full force and effect of an original.

LANDLORD:

MEMORIAL CITY TOWERS, LTD.

ATTEST:

By: **MEMORIAL CITY TOWERS GP, LLC,**
its sole General Partner

/s/ William M. Mosley
William M. Mosley, Jr., Secretary

By: /s/ David Kelley
David Kelley, President & C.O.O.

By: /s/ Randy Nerren
Randy Nerren, Executive Vice President

TENANT:

ATTEST:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.

/s/ [ILLEGIBLE]
(Assistant) Secretary

By: /s/ Ahmad Mian
Name: Ahmad Mian
Title: SVP of Operations & Group CO

FOURTH AMENDMENT OF LEASE

THIS FOURTH AMENDMENT OF LEASE (this "Amendment") is entered into between MEMORIAL CITY TOWERS, LTD., a Texas limited partnership ("Landlord"), and HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation ("Tenant").

RECITALS

Landlord and Tenant previously entered into a Lease Agreement dated December 1, 2008, a First Amendment of Lease dated February 16, 2009, a Lease Commencement Agreement dated August 24, 2009, a Supplemental Parking Agreement dated September 24, 2009, a Second Amendment of Lease dated August 17, 2010, a Supplemental Letter Agreement dated August 26, 2010, a Supplemental Commencement Agreement dated November 8, 2010, and a Third Amendment of Lease dated February 20, 2013 and a Supplemental Commencement Agreement dated September 25, 2013 (and together with any permitted lease assignments and properly delivered notification letters, collectively, the "Lease"), covering approximately 29,880 square feet of Rentable Area on the sixth (6th) floor, Suite 600 and the twelfth (12th) floor, Suite 1200 and Suite 1270 (as more particularly described in the Lease, the "Leased Premises"), in the building known as ONE MEMORIAL CITY PLAZA located at 800 Gessner in Houston, Harris County, Texas.

The parties wish to amend the Lease as set forth below.

AGREEMENTS

In consideration of the premises and mutual covenants herein contained, the undersigned parties agree that the Lease is amended and/or confirmed as follows:

I.

Landlord leases to Tenant and Tenant leases from Landlord approximately 1,269 additional square feet of Rentable Area (hereinafter called the "Additional Space") located on the twelfth (12th) floor of the Building which is known as Suite 1225, said space being identified on the floor plan attached hereto as Exhibit A. The Term of the Lease with respect to the Additional Space shall commence on the date Landlord delivers possession of the Additional Space to Tenant (the "Additional Space Effective Date"), but payments of Base Rent, Additional Rent with respect to the Operating Expense Component and Parking Charges with respect to the Additional Space shall not commence until the Additional Space Rent Commencement Date. Commencing on the Additional Space Effective Date and continuing through the remainder of the Term of the Lease (which presently expires on June 21,2019), the term "Leased Premises" as used in the Lease shall mean and include approximately 31,149 square feet of Rentable Area, which is comprised of approximately 29,880 square feet of Rentable Area leased under the Lease prior to this Amendment and the approximately 1,269 square feet of Rentable Area added to the Lease by this Amendment, and which together are identified on the floor plan attached hereto as Exhibit B. The "Additional Space Rent Commencement Date" shall be the earlier of (i) sixty (60) days after Landlord's Tender or (ii) the date on which Tenant occupies the Additional Space for conducting business therein. If the Additional Space is not adjacent to the other portions of the Leased Premises Landlord may exercise any relocation rights under the Lease with respect to such spaces separately. Landlord shall tender and Tenant agrees to accept the Additional Space from Landlord in its then current AS-IS, WHERE-IS condition, with all faults, including both patent and latent defects, and Tenant taking possession of the Additional Space shall be conclusive evidence of the foregoing. Additionally, except as expressly provided in the Lease to the contrary, **Tenant acknowledges that neither Landlord nor any agent of Landlord has made (the same being expressly DISCLAIMED) any representation or warranty, implied or express, regarding the habitability, condition, merchantability, fitness or suitability of the Building, the Parking Facility, the Leased Premises or the Additional Space or any construction, fixtures or personal property leasehold improvements.**

II.

As a result of the leasing by Tenant of the Additional Space, the sums which Tenant shall be obligated to pay to Landlord as Base Rent shall be increased to the following amounts during the period commencing on the Additional Space Rent Commencement Date and continuing through the remainder of the Term of the Lease.

Period		Monthly Base Rent
Additional Space Rent Commencement Date — June 30, 2016	$	70,402.50
July 1, 2016 — June 30, 2017	$	70,455.38
July 1, 2017 —June 30, 2018	$	70,508.25
July 1, 2018 — June 21, 2019	$	70,561.13

If the Additional Space Rent Commencement Date or any other date for the change of Base Rent occurs on a date other than the first (1st) of a month, the increase in Base Rent which occurs on the Additional Space Rent Commencement Date as a result of the changes made in this Paragraph 11 shall be prorated on a daily basis and Tenant shall pay the same within ten (10) days after the Additional Space Rent Commencement Date. Tenant will execute an instrument which confirms the Additional Space Rent Commencement Date and other matters related to this Amendment upon the written request of Landlord.

In addition to the payment of Additional Rent with respect to the Operating Expense Component for the approximately 29,880 square feet of Rentable Area leased by Tenant under the Lease prior to this Amendment, Tenant shall also pay Additional Rent with respect to the Operating Expense Component allocable to the Additional Space during the period commencing on the Additional Space Rent Commencement Date and continuing through the remainder of the term of the Lease.

III.

The number of cars which Tenant shall have the right to park in parking spaces in the Parking Facility during the period commencing on the Additional Space Rent Commencement Date and continuing through the expiration of the term of the Lease shall be increased by up to 8 non-reserved parking spaces, from a total of up to 134 parking spaces to a total of up to 142 parking spaces, of which up to 30 of such parking spaces may be in reserved parking spaces. Tenant shall pay as additional Parking Charges for these additional parking spaces an amount equal to $25.00 per month per non-reserved parking space and $50.00 per month per reserved parking space which Tenant may elect to occupy. Otherwise, the right of Tenant to park these additional cars shall be governed by the provisions of the Lease.

IV.

A. Landlord shall tender and Tenant shall accept the Additional Space in their AS-IS, WHERE-IS condition, with all faults, including both patent and latent defects, and Tenant taking possession of the Additional Space shall be conclusive evidence of the foregoing. In no event shall Landlord be responsible for any costs, expenses or delays incurred by Tenant in bringing the Additional Space or the Building into compliance with all applicable building codes, regulations, laws and ordinances, but Landlord shall be responsible to cause the Additional Space to have sprinklers installed as required by applicable law. Additionally, except as expressly provided in the Lease to the contrary, **Tenant acknowledges that neither Landlord nor any agent of Landlord has made (the same being expressly DISCLAIMED) any representation or warranty, implied or express, regarding the habitability, condition, merchantability, fitness or suitability of the Building, the Parking Facility, the Leased Premises or the Additional Space or any construction, fixtures or personal property leasehold improvements.** The Additional Space is currently occupied by another occupant and Landlord's tender of the Additional Space will not occur until after such existing occupant vacates and surrenders the Additional Space. Landlord estimates that Landlord's tender of the Additional Space will occur by approximately July 1, 2015, but Tenant releases Landlord from any claims against Landlord for any delay in such date. Notwithstanding the foregoing, in the event Landlord's Tender has not occurred by March 31, 2016 due to the fact that Landlord has been unable to recover possession of the Additional Space despite good faith efforts to do so, then at any time after such date until the date of Landlord's Tender either party may terminate this Amendment by providing written notice of such termination to the other. If Tenant desires to construct any improvements to the Additional Space or Leased Premises, Tenant shall be responsible for such construction (which shall be known as "Tenant's Work") and the following shall apply, (a) all work performed by Tenant shall be done in a manner which does not interfere with completion of any work being done by Landlord or other tenants or occupants of the Building or with the use of the Building by Landlord, other tenants, occupants or guests; (b) all such work shall be in compliance with all rules and regulations established by Landlord, any governmental authority, any insurance company insuring Landlord or Tenant, and otherwise in full compliance with the other provisions of the Lease; (c) Tenant must first submit plans for the same to Landlord for Landlord's prior approval in form and detail reasonably requested by Landlord, and Tenant must construct the same in strict accordance with the plans approved by Landlord and any design or construction criteria promulgated by Landlord in connection therewith, and upon completion of the same Tenant shall provide Landlord with a complete set of as-built plans (including CAD files) for the Leased Premises (or the portion thereof modified in the case of construction or alterations affecting only a portion of the Leased Premises); (d) Tenant must get Landlord's prior written consent prior to beginning any such construction, alteration, improvement, addition or placement, such consent to be given at Landlord's sole discretion if it affects structural, mechanical, electrical or plumbing systems in the Building, and such consent not to be unreasonably withheld for interior alterations to the Leased Premises which do not affect structural, mechanical, electrical or plumbing systems; (e) all workmen, artisans, and contractors employed for such purposes shall be obtained through or specifically approved by Landlord in its reasonable discretion prior to the commencement of any work in the Building; (f) such workmen, artisans and mechanics must furnish evidence of insurance acceptable in all respects to Landlord prior to the commencement of any work in the Building and comply with any other requirements that Landlord may deem appropriate; and (g) Tenant shall furnish to Landlord copies of all construction contracts for the work prior to the commencing of any work in the Building. Additionally, if Landlord (or Landlord's contractors) agrees to perform at Tenant's request and upon submission by Tenant of necessary plans and specifications, any additional work not being performed by Tenant, such work shall be performed by Landlord (or Landlord's contractors) at Tenant's sole expense. Prior to commencing any of the foregoing work, Landlord will submit to Tenant written estimates of the cost of any such work. If Tenant shall fail to approve any such estimates within five (5) business days from the date of submission thereof in writing by Landlord, then same shall be deemed disapproved in all respects by Tenant, and Landlord shall not be authorized to proceed thereon. Tenant agrees to pay Landlord the cost of all such work within ten business days after Landlord presents Tenant an invoice therefor. Alternatively, at Landlord's election, prior to Landlord's (or Landlord's contractors) commencing any such work, Tenant shall pay to Landlord (or make financial arrangements acceptable in all respects to Landlord to pay for) all (or such portion as Landlord may designate) of the estimated cost of all such work.

B. If Landlord identifies any material non-compliance of any of Tenant's Work with the plans approved by Landlord or any criteria promulgated by Landlord in connection therewith or due to any materially substandard work as identified in good faith by Landlord ("Substandard Work"). Landlord shall provide Tenant with a detailed statement identifying the Substandard Work and Tenant shall correct such Substandard Work. If Tenant disputes Landlord's determination of Substandard Work, the matter shall be resolved by Landlord's architect and Tenant's architect.

V.

Other than Pollan Hausman Real Estate Services, LLC (Attn: Craig Hausman) ("Tenant's Broker"). Tenant represents to Landlord that it has not engaged any real estate or leasing broker, agent or finder in connection with this Amendment or the transactions pursuant hereto and Tenant's Broker is the only leasing broker, agent or finder who is entitled to a commission in connection with this Amendment or the transactions pursuant hereto, which commission shall be paid by Landlord pursuant only to a separate written agreement between Landlord and Tenant's Broker. Tenant shall indemnify, defend and hold Landlord harmless from and against any claims, costs, losses, damages, fees, fines, commissions, penalties, interest, judgments, amounts paid in settlement or expenses incurred by Landlord by virtue of a breach of this representation made by Tenant.

VI.

Capitalized terms not defined herein shall have the meanings given to them in the Lease. The Exhibits, if any, attached to this Amendment and referred to herein are incorporated herein for all purposes. This Amendment and the Lease shall not be amended, changed or extended except by written instrument signed in the form of manual signatures by the parties hereto. This Amendment together with the Lease constitutes the entire agreement between Landlord and Tenant relating to the Lease and the amendment thereof and Tenant expressly acknowledges that all related negotiations, letters of intent, terms sheets, considerations, representations and understandings between Landlord and Tenant related to the subject matter hereof have been superseded by and are incorporated into the Lease, as amended by this Amendment. Except as modified by this Amendment, the Lease remains unchanged, is ratified by the parties and continues unabated in full force and effect.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AMENDMENT, THIS AMENDMENT SHALL NOT BECOME EFFECTIVE AND BINDING UNTIL THIS AMENDMENT IS SIGNED (USING MANUAL SIGNATURES) BY TENANT AND BY THREE OFFICERS ON BEHALF OF LANDLORD AND THE DELIVERY OF A FULLY EXECUTED ORIGINAL OF THIS AMENDMENT TO TENANT.

EXECUTED on April 21, 2015, in multiple counterparts, each of which shall have the full force and effect of an original.

LANDLORD:

MEMORIAL CITY TOWERS, LTD.

ATTEST:

By: MEMORIAL CITY TOWERS GP, LLC,
its sole General Partner

/s/ William M. Mosley
William M. Mosley, Jr., Secretary

By: /s/ Loc MdNew
Loc MdNew, President & C.O.O.

By: /s/ Randy Nerren
Randy Nerren, Executive Vice President

TENANT:

WITNESS/ATTEST:

HOUSTON INTERNATIONAL INSURANCE GROUP LTD.
a Delaware corporation

/s/ [ILLEGIBLE]
[ILLEGIBLE]

By: /s/ Ahmad Mian
Name: Ahmad Mian
Title: SVP of Operations & Group CO

Attached
Exhibit A — Additional Space
Exhibit B — Leased Premises

EXHIBIT A
Additional Space
(Shaded Area)

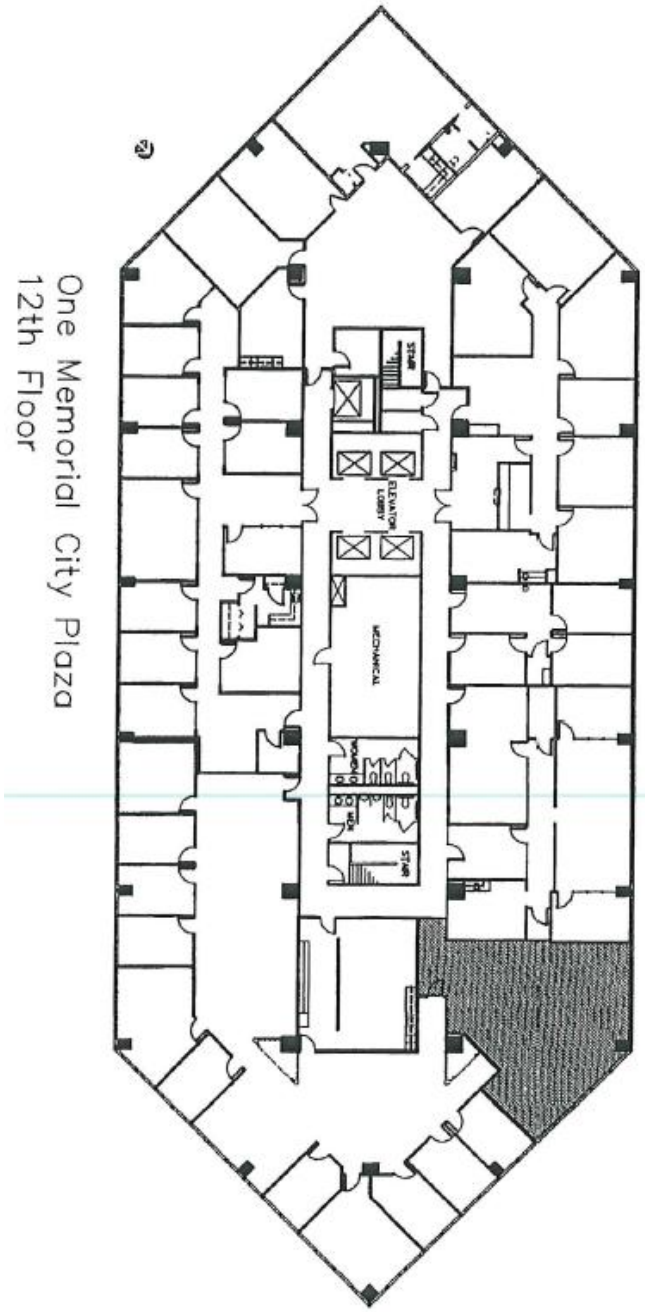
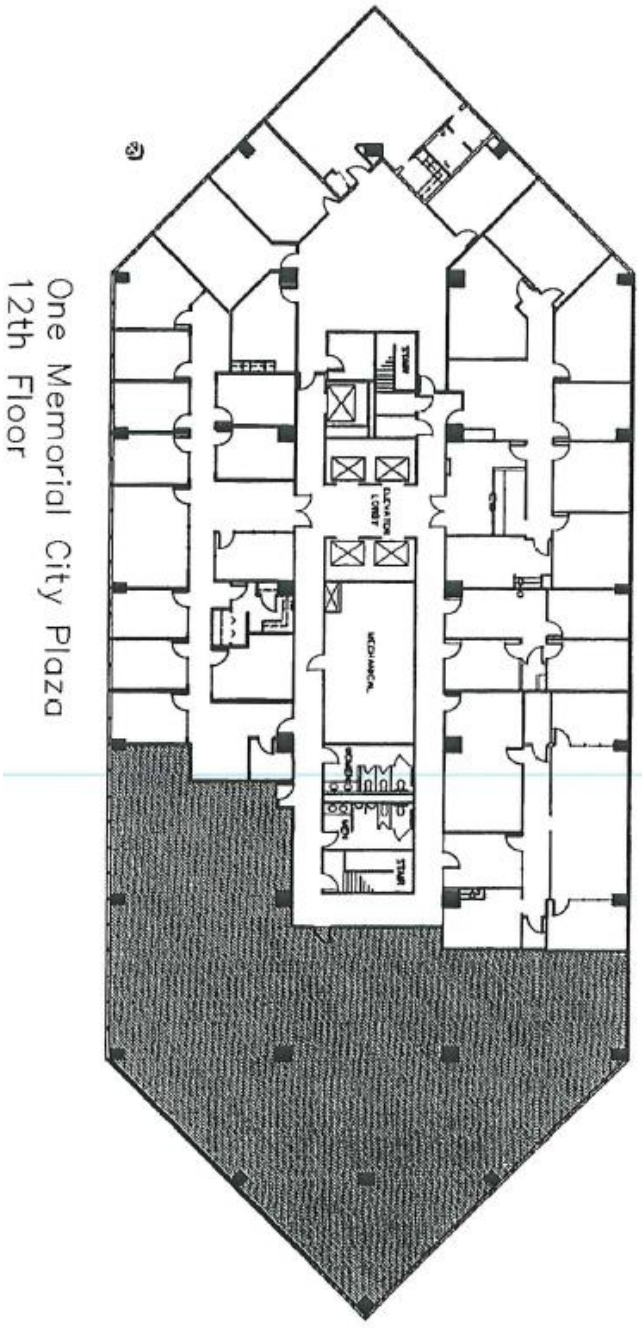


EXHIBIT B
Leased Premises
(Shaded Area)



FIFTH AMENDMENT OF LEASE

THIS FIFTH AMENDMENT OF LEASE (this "Amendment") is entered into between MEMORIAL CITY TOWERS, LTD., a Texas limited partnership ("Landlord"), and HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation ("Tenant").

RECITALS

Landlord and Tenant previously entered into a Lease Agreement dated December 1, 2008, a First Amendment of Lease dated February 16, 2009, a Lease Commencement Agreement dated August 24, 2009, a Supplemental Parking Agreement dated September 24, 2009, a Second Amendment of Lease dated August 17, 2010, a Supplemental Letter Agreement dated August 26, 2010, a Supplemental Commencement Agreement dated November 8, 2010, a Third Amendment of Lease dated February 20, 2013, a Supplemental Commencement Agreement dated September 25, 2013, and a Fourth Amendment of Lease dated April 21, 2015 (and together with any permitted lease assignments and properly delivered notification letters, collectively, the "Lease"), covering approximately 31,149 square feet of Rentable Area on the sixth (6th) floor, Suite 600, the twelfth (12th) floor, Suite 1200 and Suite 1225 (as more particularly described in the Lease, the "Leased Premises"), in the building known as ONE MEMORIAL CITY PLAZA located at 800 Gessner in Houston, Harris County, Texas.

The parties wish to amend the Lease as set forth below.

AGREEMENTS

In consideration of the premises and mutual covenants herein contained, the undersigned parties agree that the Lease is amended and/or confirmed as follows:

I.

Landlord leases to Tenant and Tenant leases from Landlord approximately 3,885 additional square feet of Rentable Area (hereinafter called the "Additional Space") located on the twelfth (12) floor of the Building which is known as Suite 1280, said space being identified on the floor plan attached hereto as Exhibit A. The Term of the Lease with respect to the Additional Space shall commence on the date Landlord delivers possession of the Additional Space to Tenant (the "Additional Space Effective Date"), but payments of Base Rent, Additional Rent with respect to the Operating Expense Component and Parking Charges with respect to the Additional Space shall not commence until the Additional Space Rent Commencement Date. Commencing on the Additional Space Effective Date and continuing through the remainder of the Term of the Lease (which presently expires on June 21, 2019), the term "Leased Premises" as used in the Lease shall mean and include approximately 35,034 square feet of Rentable Area, which is comprised of approximately 31,149 square feet of Rentable Area leased under the Lease prior to this Amendment and the approximately 3,885 square feet of Rentable Area added to the Lease by this Amendment, and which together are identified on the floor plan attached hereto as Exhibit B. The "Additional Space Rent Commencement Date" shall be the earlier of sixty (60) days after the Additional Space Effective Date or the date on which Tenant occupies the Additional Space for conducting business therein. If the Additional Space is not adjacent to the other portions of the Leased Premises Landlord may exercise any relocation rights under the Lease with respect to such spaces separately. Landlord shall tender and Tenant agrees to accept the Additional Space from Landlord in its then current AS-IS, WHERE-IS condition, with all faults, including both patent and latent defects, and Tenant taking possession of the Additional Space shall be conclusive evidence of the foregoing. Additionally, except as expressly provided in the Lease to the contrary, **Tenant acknowledges that neither Landlord nor any agent of Landlord has made (the same being expressly DISCLAIMED) any representation or warranty, implied or express, regarding the habitability, condition, merchantability, fitness or suitability of the Building, the Parking Facility, the Leased Premises or the Additional Space or any construction, fixtures or personal property leasehold improvements**.

II.

As a result of the leasing by Tenant of the Additional Space, the sums which Tenant shall be obligated to pay to Landlord as Base Rent shall be increased to the following amounts during the period commencing on the Additional Space Rent Commencement Date and continuing through the remainder of the Term of the Lease.

Period		Monthly Base Rent
Additional Space Rent Commencement Date — June30, 2016	$	80,115.00
July 1, 2016 — June 30, 2017	$	80,329.76
July 1, 2017 — June 30, 2018	$	80,544.50
July 1, 2018 — June 21, 2019	$	80,759.26

If the Additional Space Rent Commencement Date or any other date for the change of Base Rent occurs on a date other than the first (1st) of a month, the increase in Base Rent which occurs on the Additional Space Rent Commencement Date as a result of the changes made in this Paragraph II shall be prorated on a daily basis and Tenant shall pay the same within ten (10) days after the Additional Space Rent Commencement Date. Tenant will execute an instrument which confirms the Additional Space Rent Commencement Date and other matters related to this Amendment upon the written request of Landlord.

III.

In addition to the payment of Additional Rent with respect to the Operating Expense Component for the approximately 31,149 square feet of Rentable Area leased by Tenant under the Lease prior to this Amendment, Tenant shall also pay Additional Rent with respect to the Operating Expense Component allocable to the Additional Space during the period commencing on the Additional Space Rent Commencement Date and continuing through the remainder of the term of the Lease, except that the Base Year to be used in computing Additional Rent for the Operating Expense Component for the entire Leased Premises shall be the fiscal year ending March 31, 2009. If more than one Base Year shall be in effect during any year, each method shall apply based on the number of days such method is in effect during such year.

IV.

The number of cars which Tenant shall have the right to park in parking spaces in the Parking Facility during the period commencing on the Additional Space Rent Commencement Date and continuing through the expiration of the term of the Lease shall be increased by up to 16 non-reserved parking spaces, from a total of up to 142 parking spaces to a total of up to 158 parking spaces of which up to 34 parking spaces may be converted to reserved parking spaces. Tenant shall pay as additional Parking Charges for these additional parking spaces an amount equal to $25.00 per month per non-reserved parking space and $50.00 per month per reserved parking space which Tenant may elect to occupy. Otherwise, the right of Tenant to park these additional cars shall be governed by the provisions of the Lease.

V.

A. Landlord shall tender and Tenant shall accept the Additional Space in their AS-IS, WHERE-IS condition, with all faults, including both patent and latent defects, and Tenant taking possession of the Additional Space shall be conclusive evidence of the foregoing. In no event shall Landlord be responsible for any costs, expenses or delays incurred by Tenant in bringing the Additional Space or the Building into compliance with all applicable building codes, regulations, laws and ordinances provided that Landlord shall be responsible for the cost of installing sprinklers in the Additional Space in compliance with applicable building codes, regulations, laws and ordinances. Additionally, except as expressly provided in the Lease to the contrary, **Tenant acknowledges that neither Landlord nor any agent of Landlord has made (the same being expressly DISCLAIMED) any representation or warranty, implied or express, regarding the habitability, condition, merchantability, fitness or suitability of the Building, the Parking Facility, the Leased Premises or the Additional Space or any construction, fixtures or personal property leasehold improvements.** The Additional Space is currently occupied by another occupant and Landlord's tender of the Additional Space will not occur until after such existing occupant vacates and surrenders the Additional Space. Landlord estimates that Landlord's tender of the Additional Space will occur by approximately March 20, 2016, but Tenant releases Landlord from any claims against Landlord for any delay in such date. Notwithstanding the foregoing, in the event Landlord's Tender has not occurred by December 20, 2016, then at any time after such date until the date of Landlord's Tender either party ' may terminate this Amendment by providing written notice of such termination to the other. If Tenant desires to construct any improvements to the Additional Space or Leased Premises, construction (which shall be known as "Tenant's Work") and the following shall apply: (a) all work performed by Tenant shall be done in a manner which does not interfere with completion of any work being done by Landlord or other tenants or occupants of the Building or with the use of the Building by Landlord, other tenants, occupants or guests; (b) all such work shall be in compliance with all rules and regulations established by Landlord, any governmental authority, any insurance company insuring Landlord or Tenant, and otherwise in full compliance with the other provisions of the Lease; (c) Tenant must first submit plans for the same to Landlord for Landlord's prior approval in form and detail reasonably requested by Landlord, and Tenant must construct the same in strict accordance with the plans approved by Landlord and any design or construction criteria promulgated by Landlord in connection therewith, and upon completion of the same Tenant shall provide Landlord with a complete set of as-built plans (including CAD files) for the Leased Premises (or the portion thereof modified in the case of construction or alterations affecting only a portion of the Leased Premises); (d) Tenant must get Landlord's prior written consent prior to beginning any such construction, alteration, improvement, addition or placement, such consent to be given at Landlord's sole discretion if it affects structural, mechanical, electrical or plumbing systems in the Building, and such consent not to be unreasonably withheld for interior alterations to the Leased Premises which do not affect structural, mechanical, electrical or plumbing systems; (e) all workmen, artisans, and contractors employed for such purposes shall be obtained through or specifically approved by Landlord in its reasonable discretion prior to the commencement of any work in the Building; (f) such workmen, artisans and mechanics must furnish evidence of insurance acceptable in all respects to Landlord prior to the commencement of any work in the Building and comply with any other requirements that Landlord may deem appropriate; and (g) Tenant shall furnish to Landlord copies of all construction contracts for the work prior to the commencing of any work in the Building. Additionally, if Landlord (or Landlord's contractors) agrees to perform at Tenant's request and upon submission by Tenant of necessary plans and specifications, any additional work not being performed by Tenant, such work shall be performed by Landlord (or Landlord's contractors) at Tenant's sole expense. Prior to commencing any of the foregoing work, Landlord will submit to Tenant written estimates of the cost of any such work. If Tenant shall fail to approve any such estimates within five (5) business days from the date of submission thereof in writing by Landlord, then same shall be deemed disapproved in all respects by Tenant, and Landlord shall not be authorized to proceed thereon. Tenant agrees to pay Landlord the cost of all such work within ten business days after Landlord presents Tenant an invoice therefor. Alternatively, at Landlord's election, prior to Landlord's (or Landlord's contractors) commencing any such work, Tenant shall pay to Landlord (or make financial arrangements acceptable in all respects to Landlord to pay for) all (or such portion as Landlord may designate) of the estimated cost of all such work.

B. Construction Allowance.

(a) In consideration for the performance of Tenant's Work in the Leased Premises by Tenant, provided no uncured Event of Default shall then exist, Landlord agrees to reimburse the lesser of (x) $12,576.00; or (y) the total cost of Tenant's Work (the "Construction Allowance"), provided the Construction Allowance shall not in any event apply towards removable fixtures or equipment or trade fixtures. The Construction Allowance shall be paid as follows: (A) if Landlord's contractor constructs Tenant's Work, the Construction Allowance shall be paid by Landlord to Landlord's contractor for credit to the sums due under the construction contract; or (B) if Landlord agrees in writing to the selection of a contractor other than Landlord's contractor for the construction of Tenant's Work, then Landlord shall pay to Tenant the Construction allowance within thirty (30) days after satisfaction of each of the conditions below:

(i) Tenant has submitted to Landlord a copy of all building permits with all sign-offs executed;

(ii) Tenant's delivery to Landlord of notarized, final, unconditional lien waivers and releases, in statutory form, for all contractors, subcontractors and materialmen who performed work or supplied materials in connection with the completion of Tenant's Work, and all applicable statutory lien periods have expired and no affidavits of liens have been recorded against the Leased Premises, the Building or the Project; provided, that with respect to any affidavit of lien, unpaid bill notice or funds trapping notice received by Landlord, Landlord may at its option, disburse that portion of the Construction Allowance less an amount sufficient to bond around (in accordance with the Texas Property Code) the amount referenced in such instrument;

(iii) All required inspections (if any) of Tenant's Work by governmental agencies have taken place and the completed Tenant's Work has passed such inspections;

(iv) Tenant has completed Tenant's Work;

(v) Tenant is open for business operations for the Permitted Use in the Leased Premises;

(vi) If requested by Landlord, Tenant has submitted to Landlord a copy of Tenant's timely recorded Affidavit of Completion, prepared and recorded in accordance with statutory requirements and all applicable lien periods have passed;

(vii) Tenant has delivered to Landlord a final Certificate of Occupancy (if any is required) for the Leased Premises;

(viii) Tenant has submitted to Landlord a copy of all invoices and proof of payment for Tenant's Work in at least the amount of the Construction Allowance;

(ix) Tenant has paid to Landlord all amounts owing to Landlord pursuant to the Lease as of the date reimbursement is to be made; provided, that Landlord may at its option, disburse that portion of the Construction Allowance less an amount sufficient to pay for such amounts due and owing to Landlord.

(b) Landlord's payment of any or all of the Construction Allowance shall not constitute Landlord's approval or acceptance of the work furnished or materials supplied for the Leased Premises. Landlord may dispute in good faith any request for formal payment based upon material non-compliance of any of Tenant's Work with the plans approved by Landlord or any criteria promulgated by Landlord in connection therewith or due to any materially substandard work as identified in good faith by Landlord ("Substandard Work"). If Landlord identifies any Substandard Work, Landlord shall provide Tenant with a detailed statement identifying the Substandard Work, Tenant shall correct such Substandard Work and Landlord may withhold payment from the Construction Allowance until Landlord receives reasonable evidence that the Substandard Work has been corrected. If Tenant disputes Landlord's determination of Substandard Work, the matter shall be resolved by Landlord's architect and Tenant's architect. Landlord's obligation to disburse the Construction Allowance shall be suspended during any period when Tenant is disputing Landlord's determination of Substandard Work. Additionally, if the Construction Allowance is not utilized by Tenant in its entirety on or before the date that one hundred twenty (120) days following the Additional Space Rent Commencement Date, then such credit will immediately and automatically terminate and, accordingly, will no longer be available to the Tenant.

VI.

Other than Pollan Hausman Real Estate Services LLC (Attn: Craig Hausman) ("Tenant's Broker"). Tenant represents to Landlord that it has not engaged any real estate or leasing broker, agent or finder in connection with this Amendment or the transactions pursuant hereto [and Tenant's Broker is the only leasing broker, agent or finder who is entitled to a commission in connection with this Amendment or the transactions pursuant hereto, which commission shall be paid by Landlord pursuant only to a separate written agreement between Landlord and Tenant's Broker. Tenant shall indemnify, defend and hold Landlord harmless from and against any claims, costs, losses, damages, fees, fines, commissions, penalties, interest, judgments, amounts paid in settlement or expenses incurred by Landlord by virtue of a breach of this representation made by Tenant.

VII.

Capitalized terms not defined herein shall have the meanings given to them in the Lease. The Exhibits, if any, attached to this Amendment and referred to herein are incorporated herein for all purposes. This Amendment and the Lease shall not be amended, changed or extended except by written instrument signed in the form of manual signatures by the parties hereto. This Amendment together with the Lease constitutes the entire agreement between Landlord and Tenant relating to the Lease and the amendment thereof and Tenant expressly acknowledges that all related negotiations, letters of intent, terms sheets, considerations, representations and understandings between Landlord and Tenant related to the subject matter hereof have been superseded by and are incorporated into the Lease, as amended by this Amendment. Except as modified by this Amendment, the Lease remains unchanged, is ratified by the parties and continues unabated in full force and effect.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AMENDMENT, THIS AMENDMENT SHALL NOT BECOME EFFECTIVE AND BINDING UNTIL THIS AMENDMENT IS SIGNED (USING MANUAL SIGNATURES) BY TENANT AND BY THREE OFFICERS ON BEHALF OF LANDLORD AND THE DELIVERY OF A FULLY EXECUTED ORIGINAL OF THIS AMENDMENT TO TENANT.

EXECUTED on July 27, 2015, in multiple counterparts, each of which shall have the full force and effect of an original.

LANDLORD:

MEMORIAL CITY TOWERS, LTD.

ATTEST:

By: MEMORIAL CITY TOWERS GP, LLC,
its sole General Partner

/s/ William M. Mosley
William M. Mosley, Jr., Secretary

By: /s/ Jason Johnson
Jason Johnson, President

By: /s/ Randy Nerren
Randy Nerren, Executive Vice President

TENANT:

WITNESS/ATTEST:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.
a Delaware corporation

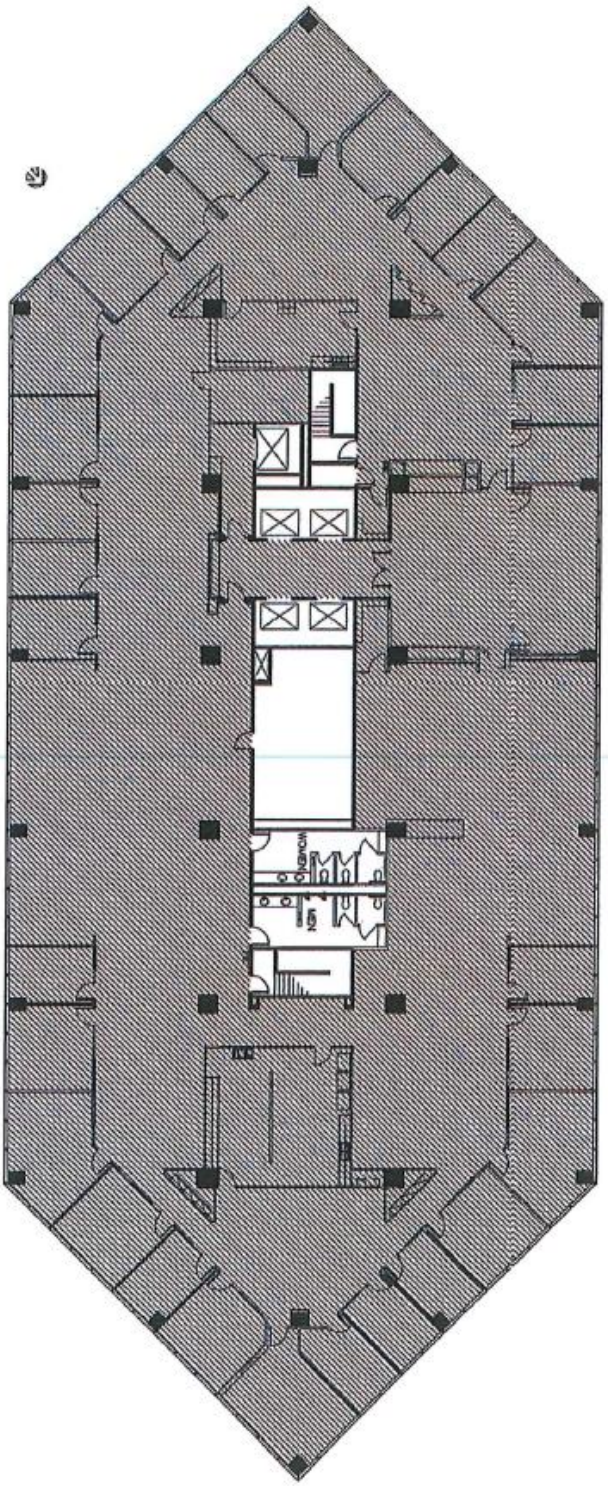
/s/ [ILLEIGBLE]
[ILLEIGBLE]

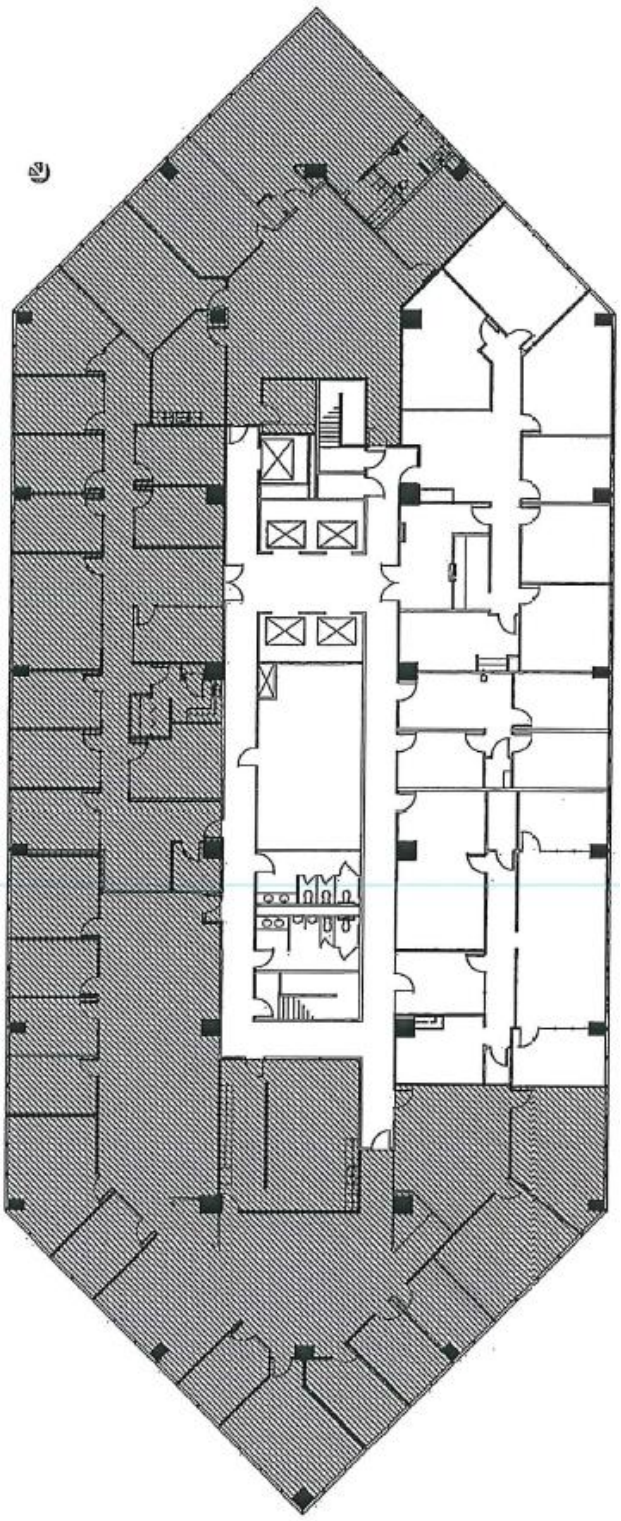
By: /s/ Ahmad Mian
Name: Ahmad Mian
Title: SVP of Operations & Group CO

Attached
Exhibit A — Additional Space
Exhibit B — Leased Premises

EXHIBIT A
Additional Space
(Shaded Area)

EXHIBIT B
Leased Premises
(Shaded Area)





SUPPLEMENTAL COMMENCEMENT AGREEMENT

THIS SUPPLEMENTAL COMMENCEMENT AGREEMENT (this "Agreement") is entered into between MEMORIAL CITY TOWERS, LTD., a Texas limited partnership, ("Landlord"), and HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation ("Tenant").

RECITALS

Landlord and Tenant previously entered into a Lease Agreement dated December 1, 2008, a First Amendment of Lease dated February 16, 2009, a Lease Commencement Agreement dated August 24, 2009, a Supplemental Parking Agreement dated September 24, 2009, a Second Amendment of Lease dated August 17, 2010, a Supplemental Letter Agreement dated August 26, 2010, a Supplemental Commencement Agreement dated November 8, 2010, a Third Amendment of Lease dated February 20, 2013, a Supplemental Commencement Agreement dated September 25, 2013, a Fourth Amendment of Lease dated April 21, 2015, and a Fifth Amendment of Lease dated July 27, 2015 (and together with any permitted lease assignments and properly delivered notification letters, collectively, the "Lease"), covering approximately 1,269 square feet of Rentable Area on the twelfth (12th) floor, Suite 1225 (as more particularly described in the Lease, the "Leased Premises"), in the building known as ONE MEMORIAL CITY PLAZA located at 800 Gessner in Houston, Harris County, Texas.

Pursuant to the Fourth Amendment of Lease referred to above, Landlord has delivered the Additional Space to Tenant and Tenant has accepted the same and is now occupying the Additional Space, and the Additional Space has been added to the Leased Premises under the Lease. Landlord and Tenant wish to confirm the Additional Space Rent Commencement Date.

AGREEMENTS

In consideration of the premises and mutual covenants herein contained, the undersigned parties agree that the Lease is amended and/or confirmed as follows:

I.

The Additional Space Rent Commencement Date (refereed to in the Fourth Amendment of Lease referred to in the recitals of this Agreement) is September 8, 2015. The stated Expiration Date of the Term of the Lease is not affected by this date and remains June 21, 2019.

II.

Capitalized terms not defined herein shall have the meanings given to them in the Lease. This Agreement and the Lease shall not be amended, changed or extended except by written instrument signed in the form of manual signatures by the parties hereto. This Agreement together with the Lease constitutes the entire agreement between Landlord and Tenant relating to the Lease and the amendment thereof and Tenant expressly acknowledges that all related negotiations, letters of intent, terms sheets, considerations, representations and understandings between Landlord and Tenant have been superseded by and are incorporated into the Lease, as amended by this Agreement. Except as modified by this Agreement, the Lease remains unchanged, is ratified by the parties and continues unabated in full force and effect.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, THIS AGREEMENT SHALL NOT BECOME EFFECTIVE AND BINDING UNTIL THIS AGREEMENT IS SIGNED (USING MANUAL SIGNATURES) BY TENANT AND BY THREE OFFICERS ON BEHALF OF LANDLORD AND THE DELIVERY OF A FULLY EXECUTED ORIGINAL OF THIS AGREEMENT TO TENANT.

EXECUTED on December 7, 2015, in multiple counterparts, each of which shall have the full force and effect of an original.

LANDLORD:

MEMORIAL CITY TOWERS, LTD.

ATTEST:

By: MEMORIAL CITY TOWERS GP, LLC, its sole General Partner

/s/ William M. Mosley
William M. Mosley; Jr., Secretary

By: /s/ Jason Johnson
Jason Johnson, President

By: /s/ Randy Nerren
Randy Nerren, Executive Vice President

TENANT:

WITNESS/ATTEST:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.,
a Delaware corporation

/s/ [ILLEIGBLE]
[ILLEIGBLE]

By: /s/ Ahmad Mian
Name: Ahmad Mian
Title SVP of Operations & Group CO

SUPPLEMENTAL COMMENCEMENT AGREEMENT

THIS SUPPLEMENTAL COMMENCEMENT AGREEMENT (this "Agreement") is entered into between MEMORIAL CITY TOWERS, LTD., a Texas limited partnership ("Landlord"), and HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware ("Tenant");

RECITALS

Landlord and Tenant previously entered into a Lease Agreement dated December 1, 2008, a First Amendment of Lease dated February 16, 2009, a Lease Commencement Agreement dated August 24, 2009, a Supplemental Parking Agreement dated September 24, 2009, a Second Amendment of Lease dated August 17, 2010, a Supplemental Letter Agreement dated August 26, 2010, a Supplemental Commencement Agreement dated November 8, 2010, a Third Amendment of Lease dated February 20, 2013, a Supplemental Commencement Agreement dated September 25, 2013, a Fourth. Amendment of Lease dated April 21, 2015 and a Fifth Amendment of Lease dated July 27, 2015 (and together with any permitted lease assignments and properly delivered notification letters, collectively, the "Lease"), covering approximately 35,034 square feet of Rentable Area on the sixth (6th) floor, Suite 600 and on the twelfth (12th) floor, Suite 1200, Suite 1225 and Suite 1280 (as more particularly described in the Lease, the "Leased Premises"), in the building known as ONE MEMORIAL CITY PLAZA located at 800 Gessner in Houston, Harris County, Texas.

Pursuant to the Fifth Amendment of Lease referred to above, Landlord has delivered the Additional; Space to Tenant and Tenant has accepted the same and is now occupying the Additional Space, and the Additional Space has been added to the Leased Premises under the Lease. Landlord and Tenant wish to confirm the Additional Space Rent Commencement Date.

AGREEMENTS

In consideration of the premises and mutual covenants herein contained, the undersigned parties agree that the Lease is amended and/or confirmed as follows:

I.

The Additional Space Rent Commencement Date (referred to in the Fifth Amendment of Lease referred to in the recitals of this Agreement) is March 1, 2016. The stated Expiration Date of the Term of the Lease is not affected by this date and remains June 21, 2019.

II.

Capitalized terms not defined herein shall have the meanings given to them in the Lease. This Agreement and the Lease shall not be amended, changed or extended except by written instrument signed in the form of manual signatures by the parties hereto. This Agreement together with the Lease constitutes the entire agreement between Landlord and Tenant relating to the Lease and the amendment thereof and Tenant expressly acknowledges that all related negotiations, letters of intent, terms sheets, considerations, representations and understandings between Landlord and Tenant have been superseded by and are incorporated into the Lease, as amended by this Agreement. Except as modified by this Agreement, the Lease remains unchanged) is ratified by the parties and continues unabated in full force and effect.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, THIS AGREEMENT SHALL NOT BECOME EFFECTIVE AND BINDING UNTIL THIS AGREEMENT IS SIGNED (USING MANUAL SIGNATURES) BY TENANT AND BY THREE OFFICERS ON BEHALF OF LANDLORD AND THE DELIVERY OF A FULLY EXECUTED ORIGINAL OF THIS AGREEMENT TO TENANT.

EXECUTED on April 7, 2016, in multiple counterparts, each of which shall have the full force and effect of an original.

LANDLORD:

MEMORIAL CITY TOWERS, LTD.

ATTEST:

By: **MEMORIAL CITY TOWERS GP, LLC,**
its sole General Partner

/s/ William M. Mosley
William M. Mosley, Jr., Secretary

By: /s/ Jason Johnson
Jason Johnson, President

By: /s/ Scooter Hicks
Scooter Hicks, Chief Operating Officer

TENANT:

WITNESS/ATTEST:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.
a Delaware corporation

/s/ [ILLEGIBLE]

By: /s/ [ILLEGIBLE]
Name: [ILLEGIBLE]
Title: Executive Vice President & COO

SIXTH AMENDMENT OF LEASE

THIS SIXTH AMENDMENT OF LEASE (this "Amendment") is entered into between MEMORIAL CITY TOWERS, LTD., a Texas limited partnership ("Landlord"), and HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation ("Tenant").

RECITALS

Landlord and Tenant previously entered into a Lease Agreement dated December 1, 2008, a First Amendment of Lease dated February 16, 2009, a Lease Commencement Agreement dated August 24, 2009, a Supplemental Parking Agreement dated September 24, 2009, a Second Amendment of Lease dated August 17, 2010, a Supplemental Letter Agreement dated August 26, 2010, a Supplemental Commencement Agreement dated November 8, 2010, a Third Amendment of Lease dated February 20, 2013, a Supplemental Commencement Agreement dated September 25, 2013, a Fourth Amendment of Lease dated April 21, 2015, a Fifth Amendment of Lease dated July 27, 2015, a Supplemental Commencement Agreement dated October 7, 2015, and a Supplemental Commencement Agreement dated April 7, 2016 (and together with any permitted lease assignments and properly delivered notification letters, collectively, the "Lease"), covering approximately 35,034 square feet of Rentable Area on the sixth (6th) floor, Suite 600, the twelfth (12th) floor, Suites 1200, 1225 and 1280 (as more particularly described in the Lease, the "Leased Premises"), in the building known as ONE MEMORIAL CITY PLAZA located at 800 Gessner in Houston, Harris County, Texas.

The parties wish to amend the Lease as set forth below.

AGREEMENTS

In consideration of the premises and mutual covenants herein contained, the undersigned parties agree that the Lease is amended and/or confirmed as follows:

I.

A Landlord leases to Tenant and Tenant leases from Landlord approximately 2,174 additional square feet of Rentable Area (hereinafter called the "Suite 1220 Additional Space") located on the twelfth (12th) floor of the Building which is known as Suite 1220, said space being identified on the floor plan attached hereto as Exhibit A. The Term of the Lease with respect to the Suite 1220 Additional Space shall commence on the date Landlord delivers possession of the Suite 1220 Additional Space to Tenant (the "Suite 1220 Additional Space Effective Date"), but payments of Base Rent, Additional Rent with respect to the Operating Expense Component and Parking Charges with respect to the Suite 1220 Additional Space shall not commence until the Suite 1220 Additional Space Rent Commencement Date. Commencing on the Suite 1220 Additional Space Effective Date and continuing through the remainder of the Term of the Lease, the term "Leased Premises" as used in the Lease shall mean and include approximately 37,208 square feet of Rentable Area, which is comprised of approximately 35,034 square feet of Rentable Area leased under the Lease prior to this Amendment and the approximately 2,174 square feet of Rentable Area comprising the Suite 1220 Additional Space (assuming the Suite 1220 Additional Space Rent Commencement Date occurs prior to the Suite 1240 Additional Space Rent Commencement Date). The "Suite 1220 Additional Space Rent Commencement Date" shall be the earlier of sixty (60) days after the Suite 1220 Additional Space Effective Date or the date on which Tenant occupies the Suite 1220 Additional Space for conducting business therein.

B. Landlord leases to Tenant and Tenant leases from Landlord approximately 872 additional square feet of Rentable Area (hereinafter called the "Suite 1240 Additional Space", and together with the Suite 1220 Additional Space, the "Additional Space") located on the twelfth (12th) floor of the Building which is known as Suite 1240, said space being identified on the floor plan attached hereto as Exhibit B. The Term of the Lease with respect to the Suite 1240 Additional Space shall commence on the date Landlord delivers possession of the Suite 1240 Additional Space to Tenant (the "Suite 1240 Additional Space Effective Date"), but payments of Base Rent, Additional Rent with respect to the Operating Expense Component and Parking Charges with respect to the Suite 1240 Additional Space shall not commence until the Suite 1240 Additional Space Rent Commencement Date. Commencing on the Suite 1240 Additional Space Effective Date and continuing through the remainder of the Term of the Lease, the term "Leased Premises" as used in the Lease shall mean and include approximately 38,080 square feet of Rentable Area, which is comprised of approximately 35,034 square feet of Rentable Area leased under the Lease prior to this Amendment and the approximately 2,174 square feet of Rentable Area comprising the Suite 1220 Additional Space and the approximately 872 square feet of Rentable Area comprising the Suite 1240 Additional Space (assuming the Suite 1220 Additional Space Rent Commencement Date occurs prior to the Suite 1240 Additional Space Rent Commencement Date), and all of the space within the Leased Premises which is on the twelfth (12^{th}) floor is identified on the floor plan attached hereto as Exhibit C. The "Suite 1240 Additional Space Rent Commencement Date" shall be the earlier of sixty (60) days after the Suite 1240 Additional Space Effective Date or the date on which Tenant occupies the Suite 1240 Additional Space for conducting business therein.

II.

A As a result of the leasing by Tenant of the Suite 1220 Additional Space, Base Rent shall be increased by: (i) $5,525.58 per month during the period commencing on the Suite 1220 Additional Space Rent Commencement Date and continuing through June 30, 2017; (ii) $5,616.17 per month during the period from July 1, 2017 through June 30, 2018; and (iii) $5,706.75 per month from July 1, 2018 through June 21, 2019.

B As a result of the leasing by Tenant of the Suite 1240 Additional Space, Base Rent shall be increased by: (i) $2,216.33 per month during the period commencing on the Suite 1240 Additional Space Rent Commencement Date and continuing through June 30, 2017; (ii) $2,252.67 per month during the period from July 1, 2017 through June 30, 2018; and (iii) $2,289.00 per month from July 1, 2018 through June 21, 2019.

C After the occurrence of both the Suite 1220 Additional Space Rent Commencement Date and the Suite 1240 Additional Space Rent Commencement Date, Base Rent for the entire Leased Premises shall be the following:

Period	**Monthly Base Rent**
Through June 30, 2017	$ 88,071.67
July 1, 2017 through June 30, 2018	$ 88,413.34
July 1, 2018 through June 21, 2019	$ 88,755.01

D If any date for the change of Base Rent occurs on a date other than the first (1^{st}) of a month, the increase in Base Rent which occurs shall be prorated on a daily basis and Tenant shall pay the same within ten (10) days after the applicable change. Tenant will execute an instrument which confirms the matters and dates related to this Amendment upon the written request of Landlord.

III.

A In addition to the payment of Additional Rent with respect to the Operating Expense Component for the approximately 35,034 square feet of Rentable Area leased by Tenant under the Lease prior to this Amendment, Tenant shall also pay Additional Rent with respect to the Operating Expense Component allocable to the Suite 1220 Additional Space during the period commencing on the Suite 1220 Additional Space Rent Commencement Date and continuing through the remainder of the Term of the Lease.

B In addition to the payment of Additional Rent with respect to the Operating Expense Component for the approximately 35,034 square feet of Rentable Area leased by Tenant under the Lease prior to this Amendment, Tenant shall also pay Additional Rent with respect to the Operating Expense Component allocable to the Suite 1240 Additional Space during the period commencing on the Suite 1240 Additional Space Rent Commencement Date and continuing through the remainder of the Term of the Lease.

IV.

The number of cars which Tenant shall have the right to park in parking spaces in the Parking Facility during the period commencing on the Suite 1220 Additional Space Rent Commencement Date and continuing through the expiration of the term of the Lease shall be increased by up to 12 non-reserved parking spaces, from a total of up to 158 parking spaces to a total of up to 170 parking spaces, of which up to 38 parking spaces may be converted to reserved parking spaces. Tenant shall pay as additional Parking Charges for these additional parking spaces an amount equal to $25.00 per month per non-reserved parking space and $50.00 per month per reserved parking space which Tenant may elect to occupy. Otherwise, the right of Tenant to park these additional cars shall be governed by the provisions of the Lease.

V.

A. Landlord shall tender and Tenant shall accept the Additional Space in their AS-IS, WHERE-IS condition, with all faults, including both patent and latent defects, and Tenant taking possession of the Additional Space shall be conclusive evidence of the foregoing. In no event shall Landlord be responsible for any costs, expenses or delays incurred by Tenant in bringing the Additional Space or the Building into compliance with all applicable building codes, regulations, laws and ordinances provided that Landlord shall be responsible for the cost of installing sprinklers in the Additional Space in compliance with applicable building codes, regulations, laws and ordinances. Additionally, except as expressly provided in the Lease to the contrary, **Tenant acknowledges that neither Landlord nor any agent of Landlord has made (the same being expressly DISCLAIMED) any representation or warranty, implied or express, regarding the habitability, condition, merchantability, fitness or suitability of the Building, the Parking Facility, the Leased Premises or the Additional Space or any construction, fixtures or personal property leasehold improvements.** If Tenant desires to construct any improvements to the Additional Space or Leased Premises, Tenant shall be responsible for such construction (which shall be known as "Tenant's Work") and the following shall apply: (a) all work performed by Tenant shall be done in a manner which does not interfere with completion of any work being done by Landlord or other tenants or occupants of the Building or with the use of the Building by Landlord, other tenants, occupants or guests; (b) all such work shall be in compliance with all rules and regulations established by Landlord, any governmental authority, any insurance company insuring Landlord or Tenant, and otherwise in full compliance with the other provisions of the Lease; (c) Tenant must first submit plans for the same to Landlord for Landlord's prior approval in form and detail reasonably requested by Landlord, and Tenant must construct the same in strict accordance with the plans approved by Landlord and any design or construction criteria promulgated by Landlord in connection therewith, and upon completion of the same Tenant shall provide Landlord with a complete set of as-built plans (including CAD files) for the Leased Premises (or the portion thereof modified in the case of construction or alterations affecting only a portion of the Leased Premises); (d) Tenant must get Landlord's prior written consent prior to beginning any such construction, alteration, improvement, addition or placement, such consent to be given at Landlord's sole discretion if it affects structural, mechanical, electrical or plumbing systems in the Building, and such consent not to be unreasonably withheld for interior alterations to the Leased Premises which do not affect structural, mechanical, electrical or plumbing systems; (e) all workmen, artisans, and contractors employed for such purposes shall be obtained through or specifically approved by Landlord in its reasonable discretion prior to the commencement of any work in the Building; (f) such workmen, artisans and mechanics must furnish evidence of insurance acceptable in all respects to Landlord prior to the commencement of any work in the Building and comply with any other requirements that Landlord may deem appropriate; and (g) Tenant shall furnish to Landlord copies of all construction contracts for the work prior to the commencing of any work in the Building. Additionally, if Landlord (or Landlord's contractors) agrees to perform at Tenant's request and upon submission by Tenant of necessary plans and specifications, any additional work not being performed by Tenant, such work shall be performed by Landlord (or Landlord's contractors) at Tenant's sole expense. Prior to commencing any of the foregoing work, Landlord will submit to Tenant written estimates of the cost of any such work. If Tenant shall fail to approve any such estimates within five (5) business days from the date of submission thereof in writing by Landlord, then same shall be deemed disapproved in all respects by Tenant, and Landlord shall not be authorized to proceed thereon. Tenant agrees to pay Landlord the cost of all such work within ten business days after Landlord presents Tenant an invoice therefor. Alternatively, at Landlord's election, prior to Landlord's (or Landlord's contractors) commencing any such work, Tenant shall pay to Landlord (or make financial arrangements acceptable in all respects to Landlord to pay for) all (or such portion as Landlord may designate) of the estimated cost of all such work.

B. Construction Allowance.

(1) In consideration for the performance of Tenant's Work in the Leased Premises by Tenant, provided no uncured Event of Default shall then exist, Landlord agrees to reimburse the lesser of (x) $1,917.00; or (y) the total cost of Tenant's Work (the "Construction Allowance"), provided the Construction Allowance shall not in any event apply towards removable fixtures or equipment or trade fixtures. The Construction Allowance shall be paid as follows: (A) if Landlord's contractor constructs Tenant's Work, the Construction Allowance shall be paid by Landlord to Landlord's contractor for credit to the sums due under the construction contract; or (B) if Landlord agrees in writing to the selection of a contractor other than Landlord's contractor for the construction of Tenant's Work, then Landlord shall pay to Tenant the Construction allowance within thirty (30) days after satisfaction of each of the conditions below:

(i) Tenant has submitted to Landlord a copy of all building permits with all sign-offs executed;

(ii) Tenant's delivery to Landlord of notarized, final, unconditional lien waivers and releases, in statutory form, for all contractors, subcontractors and materialmen who performed work or supplied materials in connection with the completion of Tenant's Work, and all applicable statutory lien periods have expired and no affidavits of liens have been recorded against the Leased Premises, the Building or the Project; provided, that with respect to any affidavit of lien, unpaid bill notice or funds trapping notice received by Landlord, Landlord may at its option, disburse that portion of the Construction Allowance less an amount sufficient to bond around (in accordance with the Texas Property Code) the amount referenced in such instrument;

(iii) All required inspections (if any) of Tenant's Work by governmental agencies have taken place and the completed Tenant's Work has passed such inspections;

(iv) Tenant has completed Tenant's Work;

(v) Tenant is open for business operations for the Permitted Use in the Leased Premises;

(vi) If requested by Landlord, Tenant has submitted to Landlord a copy of Tenant's timely .recorded Affidavit of Completion, prepared and recorded in accordance with statutory requirements and all applicable lien periods have passed;

(vii) Tenant has delivered to Landlord a final Certificate of Occupancy (if any is required) for the Leased Premises;

(viii) Tenant has submitted to Landlord a copy of all invoices and proof of payment for Tenant's Work in at least the amount of the Construction Allowance;

(ix) Tenant has paid to Landlord all amounts owing to Landlord pursuant to the Lease as of the date reimbursement is to be made; provided, that Landlord may at its option, disburse that portion of the Construction Allowance less an amount sufficient to pay for such amounts due and owing to Landlord.

(2) Landlord's payment of any or all of the Construction Allowance shall not constitute Landlord's approval or acceptance of the work furnished or materials supplied for the Leased Premises. Landlord may dispute in good faith any request for formal payment based upon material non-compliance of any of Tenant's Work with the plans approved by Landlord or any criteria promulgated by Landlord in connection therewith or due to any materially substandard work as identified in good faith by Landlord ("Substandard Work"). If Landlord identifies any Substandard Work, Landlord shall provide Tenant with a detailed statement identifying the Substandard Work, Tenant shall correct such Substandard Work and Landlord may withhold payment from the Construction Allowance until Landlord receives reasonable evidence that the Substandard Work has been corrected. If Tenant disputes Landlord's determination of Substandard Work, the matter shall be resolved by Landlord's architect and Tenant's architect. Landlord's obligation to disburse the Construction Allowance shall be suspended during any period when Tenant is disputing Landlord's determination of Substandard Work. Additionally, if the Construction Allowance is not utilized by Tenant in its entirety on or before the date that one hundred twenty (120) days following the Suite 1240 Additional Space Rent Commencement Date, then such credit will immediately and automatically terminate and, accordingly, will no longer be available to the Tenant.

C. The Suite 1220 Additional Space is currently occupied by another occupant and Landlord's tender of the Suite 1220 Additional Space will not occur until after such existing occupants vacates and surrenders the Suite 1220 Additional Space. Landlord estimates that Landlord's tender of the Suite 1220 Additional Space will occur by approximately June 1, 2016, but Tenant releases Landlord from any claims against Landlord for any delay in such date. Notwithstanding the foregoing, in the event the Suite 1220 Additional Space Effective Date has not occurred by that date which is nine (9) months after the date of this Amendment, then at any time after such date until the date of Suite 1220 Additional Space Effective Date either party may terminate the leasing of the Suite 1220 Additional Space by providing written notice of such termination to the other.

D. The Suite 1240 Additional Space is currently occupied by another occupant and Landlord's tender of the Suite 1240 Additional Space will not occur until after such existing occupants vacates and surrenders the Suite 1240 Additional Space. Unless such existing occupant agrees to vacate the Suite 1240 Additional Space at an earlier date, Landlord estimates that Landlord's tender of the Suite 1240 Additional Space will occur by approximately October 1, 2016, but Tenant releases Landlord from any claims against Landlord for any delay in such date. Notwithstanding the foregoing, in the event the Suite 1240 Additional Space Effective Date has not occurred by March 1, 2017, then at any time after such date until the date of Suite 1240 Additional Space Effective Date either party may terminate the leasing of the Suite 1240 Additional Space by providing written notice of such termination to the other.

VI.

Tenant's Work shall include the construction of the corridor identified on Exhibit D (the "Corridor") to include the same within the boundaries of the Leased Premises. After the expiration or the earlier termination of this Lease or Tenant's right to possession of the Leased Premises, Landlord shall have the right to restore the Corridor to be a Common Area multi-tenant corridor consistent with the appearance of the adjoining Common Area multi-tenant corridors on the twelfth (12th) floor of the Building, and Tenant will reimburse Landlord for the cost incurred by Landlord to do so; provided, that, Landlord obtains three (3) bids for the general contractor performing such work; and provided, further, that excluded from such reimbursement shall be the cost of carpet and wall finishes within the Corridor. This Paragraph VI shall survive termination of the Lease.

VII.

Other than Pollan Hausman Real Estate Services LLC (Attn: Craig Hausman) ("Tenant's Broker"). Tenant represents to Landlord that it has not engaged any real estate or leasing broker, agent or finder in connection with this Amendment or the transactions pursuant hereto and Tenant's Broker is the only leasing broker, agent or finder who is entitled to a commission in connection with this Amendment or the transactions pursuant hereto, which commission shall be paid by Landlord pursuant only to a separate written agreement between Landlord and Tenant's Broker. Tenant shall indemnify, defend and hold Landlord harmless from and against any claims, costs, losses, damages, fees, fines, commissions, penalties, interest, judgments, amounts paid in settlement or expenses incurred by Landlord by virtue of a breach of this representation made by Tenant.

VIII.

Capitalized terms not defined herein shall have the meanings given to them in the Lease. The Exhibits, if any, attached to this Amendment and referred to herein are incorporated herein for all purposes. This Amendment and the Lease shall not be amended, changed or extended except by written instrument signed in the form of manual signatures by the parties hereto. This Amendment together with the Lease constitutes the entire agreement between Landlord and Tenant relating to the Lease and the amendment thereof and Tenant expressly acknowledges that all related negotiations, letters of intent, terms sheets, considerations, representations and understandings between Landlord and Tenant related to the subject matter hereof have been superseded by and are incorporated into the Lease, as amended by this Amendment. Except as modified by this Amendment, the Lease remains unchanged, is ratified by the parties and continues unabated in full force and effect.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AMENDMENT, THIS AMENDMENT SHALL NOT BECOME EFFECTIVE AND BINDING UNTIL THIS AMENDMENT IS SIGNED (USING MANUAL SIGNATURES) BY TENANT AND BY THREE OFFICERS ON BEHALF OF LANDLORD AND THE DELIVERY OF A FULLY EXECUTED ORIGINAL OF THIS AMENDMENT TO TENANT.

EXECUTED on May 9, 2016, in multiple counterparts, each of which shall have the full force and effect of an original.

LANDLORD:

MEMORIAL CITY TOWERS, LTD.

ATTEST:

By: MEMORIAL CITY TOWERS GP, LLC, its sole General Partner

/s/ William M. Mosley
William M. Mosley Jr., Secretary

By: /s/ Jason Johnson
Jason Johnson, President

By: /s/ Scooter Hicks
Scooter Hicks, C.O.O.

TENANT:

WITNESS/ATTEST:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.
a Delaware corporation

[ILLEGIBLE]

By: [ILLEGIBLE]
Name: [ILLEGIBLE]
Title: [ILLEGIBLE]

Attached
Exhibit A — Suite 1220 Additional Space
Exhibit B — Suite 1240 Additional Space
Exhibit C — Leased Premises
Exhibit D — Corridor

EXHIBIT A
Suite 1220 Additional Space
(Shaded Area)

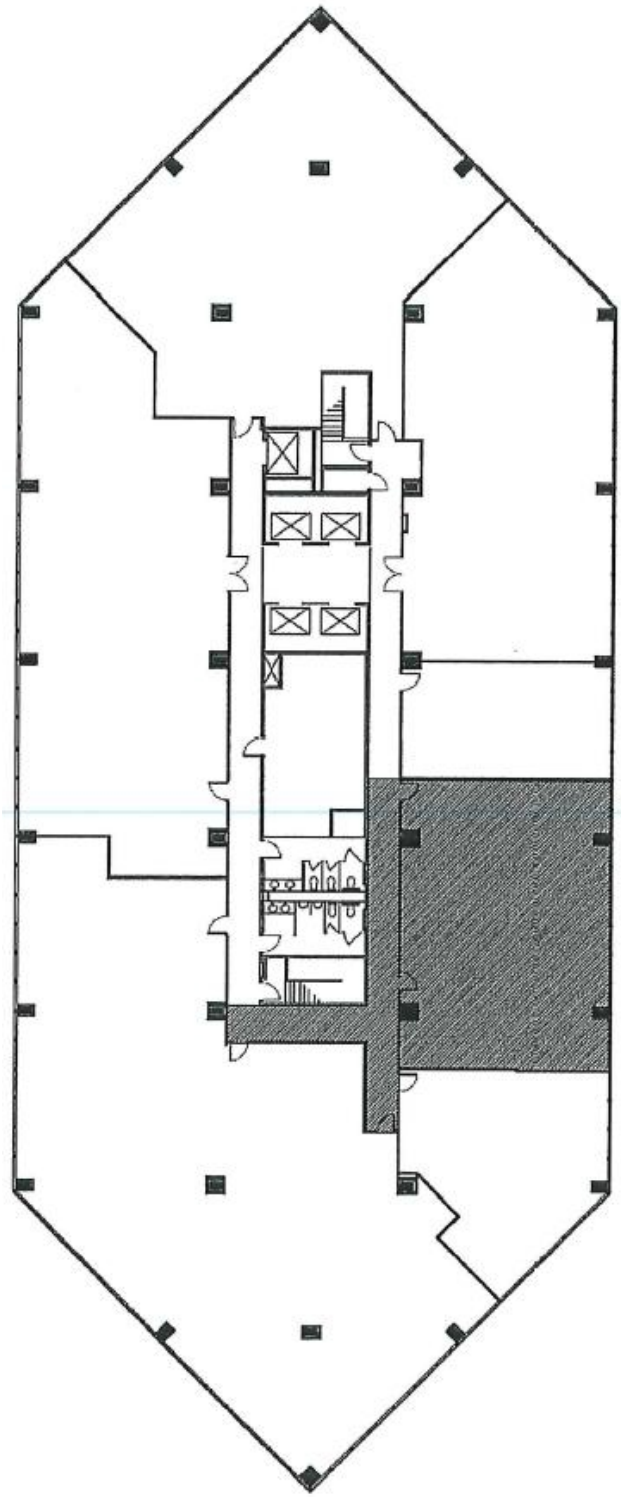


EXHIBIT B
Suite 1240 Addtional Space
(Shaded Area)

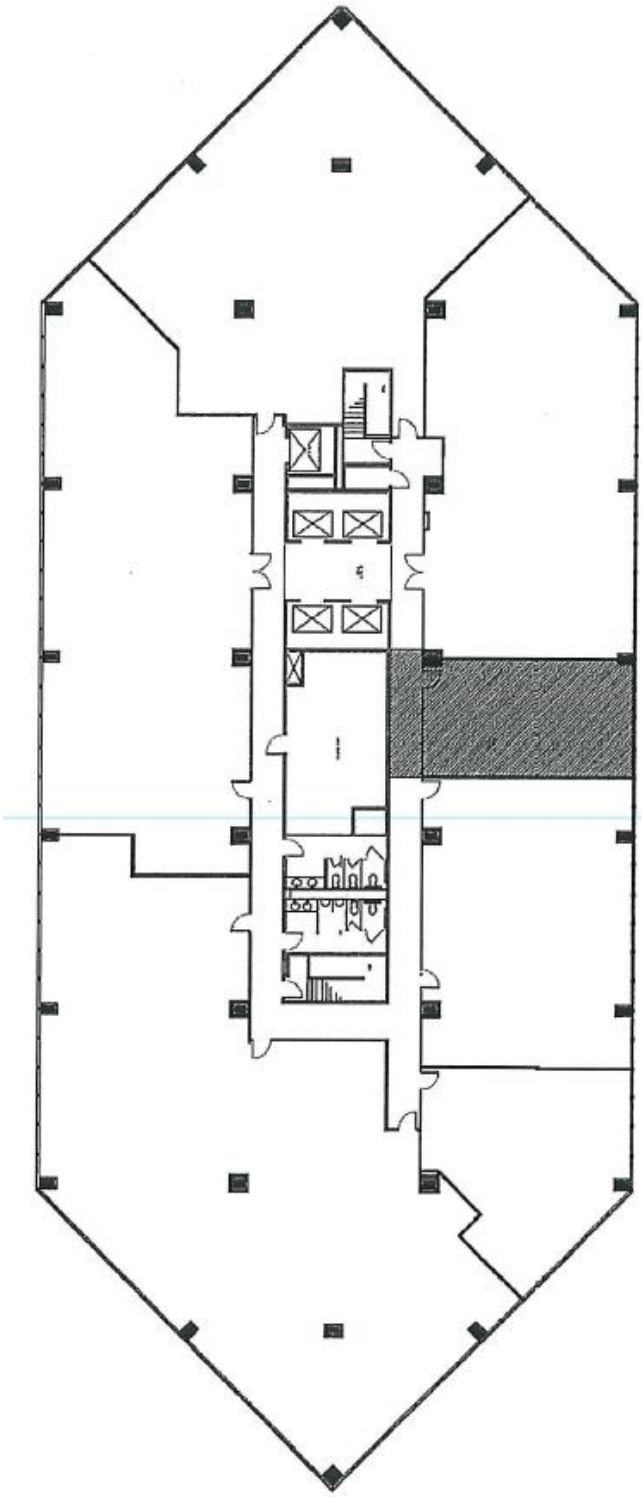


EXHIBIT C

12th Floor Leased Premises

(Shaded Area)

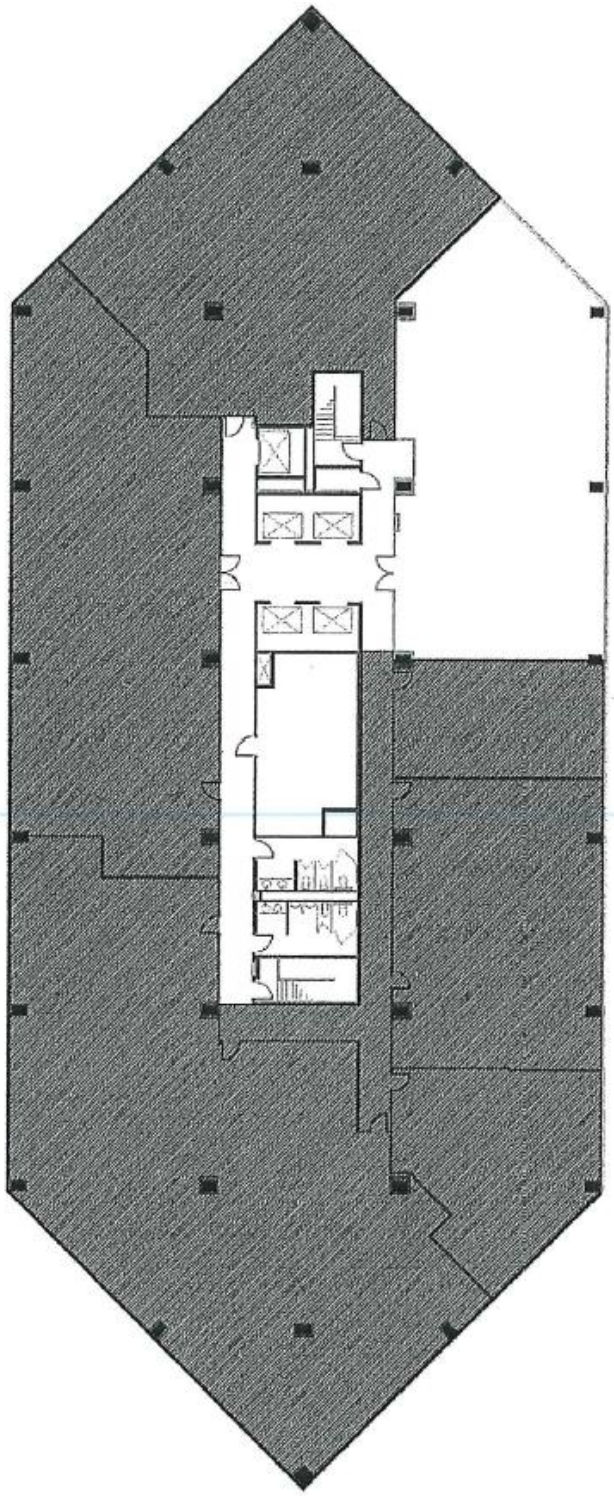
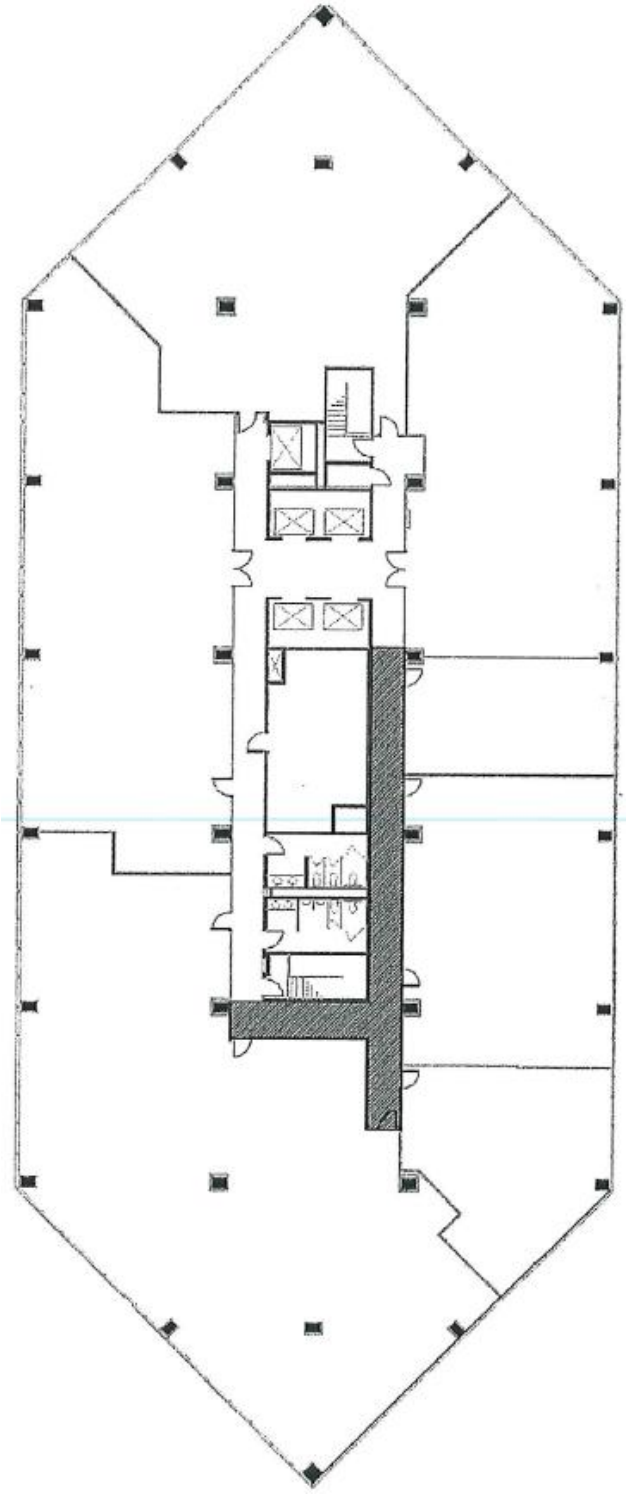


EXHIBIT D
Corridor
(Shaded Area)



SUPPLEMENTAL COMMENCEMENT AGREEMENT

THIS SUPPLEMENTAL COMMENCEMENT AGREEMENT (this "Agreement") is entered into between MEMORIAL CITY TOWERS, LTD., a Texas limited partnership ("Landlord"), and HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware ("Tenant").

RECITALS

Landlord and Tenant previously entered into a Lease Agreement dated December 1, 2008, a First Amendment of Lease dated February 16, 2009, a Lease Commencement Agreement dated August 24, 2009, a Supplemental Parking Agreement dated September 24, 2009, a Second Amendment of Lease dated August 17, 2010, a Supplemental Letter Agreement dated August 26, 2010, a Supplemental Commencement Agreement dated November 8, 2010, a Third Amendment of Lease dated February 20, 2013, a Supplemental Commencement Agreement dated September 25, 2013, a Fourth Amendment of Lease dated April 21, 2015, a Fifth Amendment of Lease dated July 27, 2015, a Supplemental Commencement Agreement dated October 7, 2015, a Supplemental Commencement Agreement dated April 7, 2016, and a Sixth Amendment of Lease dated May 9, 2016 (and together with any permitted lease' assignments and properly delivered notification letters, collectively, the "Lease"), covering approximately 38,080 square feet of Rentable Area on the sixth (6th) floor, Suite 600 and on the twelfth (12th) floor, Suite 1200, Suite 1220, Suite 1225, Suite 1240 and Suite 1280 (as more particularly described in the Lease, the "Leased Premises"), in the building known as ONE MEMORIAL CITY PLAZA located at 800 Gessner in Houston, Harris County, Texas.

Pursuant to the Sixth Amendment of Lease referred to above, Landlord has delivered the Additional Space to Tenant and Tenant has accepted the same and is now occupying the Additional Space, and the Additional Space has been added to the Leased Premises under the Lease. Landlord and Tenant wish to confirm the Additional Space Rent Commencement Date.

AGREEMENTS

In consideration of the premises and mutual covenants herein contained, the undersigned parties agree that the Lease is amended and/or confirmed as follows:

I.

The Suite 1220 Additional Space Rent Commencement Date and the Suite 1240 Additional Space Rent Commencement Date (referred to in the Sixth Amendment of Lease referred to in the recitals of this Agreement) are both December 23, 2016.

II.

Capitalized terms not defined herein shall have the meanings given to them in the Lease. This Agreement and the Lease shall not be amended, changed or extended except by written instrument signed in the form of manual signatures by the parties hereto. This Agreement together with the Lease constitutes the entire agreement between Landlord and Tenant relating to the Lease and the amendment thereof and Tenant expressly acknowledges that all related negotiations, letters of intent, terms sheets, considerations, representations and understandings between Landlord and Tenant have been superseded by and are incorporated into the Lease, as amended by this Agreement. Except as modified by this Agreement, the Lease remains unchanged, is ratified by the parties and continues unabated in full force and effect.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, THIS AGREEMENT SHALL NOT BECOME EFFECTIVE AND BINDING UNTIL THIS AGREEMENT IS SIGNED (USING MANUAL SIGNATURES) BY TENANT AND BY THREE OFFICERS ON BEHALF OF LANDLORD AND THE DELIVERY OF A FULLY EXECUTED ORIGINAL OF THIS AGREEMENT TO TENANT.

EXECUTED on February 24, 2017, in multiple counterparts, each of which shall have the full force and effect an original.

LANDLORD:

MEMORIAL CITY TOWERS, LTD.

ATTEST:

By: **MEMORIAL CITY TOWERS GP, LLC,**
its sole General Partner

/s/ William M. Mosley
William M. Mosley, Jr., Secretary

By: /s/ Jason Johnson
Jason Johnson, President

By: /s/ Scooter Hicks
Scooter Hicks, Chief Operating Officer

TENANT:

WITNESS/ATTEST:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.
a Delaware corporation

[ILLEGIBLE]

By: [ILLEGIBLE]
Name: [ILLEGIBLE]
Title: [ILLEGIBLE]

SEVENTH AMENDMENT OF LEASE

THIS SEVENTH AMENDMENT OF LEASE (this "Amendment") is entered into between MEMORIAL CITY TOWERS, LTD., a Texas limited partnership ("Landlord"), and HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation ("Tenant").

RECITALS

Landlord and Tenant previously entered into a Lease Agreement dated December 1, 2008, a First Amendment of Lease dated February 16, 2009, a Lease Commencement Agreement dated August 24, 2009, a Supplemental Parking Agreement dated September 24, 2009, a Second Amendment of Lease dated August 17, 2010, a Supplemental Letter Agreement dated August 26, 2010, a Supplemental Commencement Agreement dated November 8, 2010, a Third Amendment of Lease dated February 20, 2013, a Supplemental Commencement Agreement dated September 25, 2013, a Fourth Amendment of Lease dated April 21, 2015, a Fifth Amendment of Lease dated July 27, 2015, a Supplemental Commencement Agreement dated October 7, 2015, a Supplemental Commencement Agreement dated April 7, 2016, a Sixth Amendment of Lease dated May 9, 2016 and a Supplemental Commencement Agreement dated February 24, 2017 (and together with any permitted lease assignments and properly delivered notification letters, collectively, the "Lease"), covering approximately 38,080 square feet of Rentable Area on the sixth (6th) floor, Suite 600, the twelfth (12th) floor, Suites 1200, 1220, 1240, and 1280 (as more particularly described in the Lease, the "Leased Premises"), in the building known as ONE MEMORIAL CITY PLAZA located at 800 Gessner in Houston, Harris County, Texas.

The parties wish to amend the Lease as set forth below.

AGREEMENTS

In consideration of the premises and mutual covenants herein contained, the undersigned parties agree that the Lease is amended and/or confirmed as follows:

I.

Landlord leases to Tenant and Tenant leases from Landlord approximately 2,684 additional square feet of Rentable Area (hereinafter called the "Additional Space") located on the twelfth (12th) floor of the Building which is known as Suite 1260, said space being identified on the floor plan attached hereto as Exhibit A. The Term of the Lease with respect to the Additional Space shall commence on the date Landlord delivers possession of the Additional Space to Tenant (the "Additional Space Effective Date"), but payments of Base Rent, Additional Rent with respect to the Operating Expense Component and Parking Charges with respect to the Additional Space shall not commence until the Additional Space Rent Commencement Date. Commencing on the Additional Space Effective Date and continuing through the remainder of the Term of the Lease, the term "Leased Premises" as used in the Lease shall mean and include approximately 40,764 square feet of Rentable Area, which is comprised of approximately 38,080 square feet of Rentable Area leased under the Lease prior to this Amendment and the approximately 2,684 square feet of Rentable Area comprising the Additional Space which together are identified on the floor plan attached hereto as Exhibits. The "Additional Space Rent Commencement Date" shall be the earlier of sixty (60) days after the Additional Space Effective Date or the date on which Tenant occupies the Additional Space for conducting business therein.

II.

As a result of the leasing by Tenant of the Additional Space, the sums which Tenant shall be obligated to pay to Landlord as Base Rent shall be increased *by* the following amounts during the period commencing on the Additional Space Rent Commencement Date and continuing through the remainder of the initial Term of the Lease.

Period	**Monthly Base Rent**
Additional Space Rent Commencement Date— 06/21/2019	$ 6,255.96

If the Additional Space Rent Commencement Date or any other date for the change of Base Rent occurs on a date other than the first (1st) of a month, the increase in Base Rent which occurs on the Additional Space Rent Commencement Date as a result of the changes made in this

Paragraph II shall be prorated on a daily basis and Tenant shall pay the same within ten (10) days after the Additional Space Rent Commencement Date. Tenant will execute an instrument which confirms the Additional Space Rent Commencement Date and other matters related to this Amendment upon the written request of Landlord.

III.

In addition to the payment of Additional Rent with respect to the Operating Expense Component for the approximately 38,080 square feet of Rentable Area leased by Tenant under the Lease prior to this Amendment, Tenant shall also pay Additional Rent with respect to the Operating Expense Component allocable to the Additional Space during the period commencing on the Additional Space Rent Commencement Date and continuing through the remainder of the term of the Lease.

IV.

A. Landlord shall tender and Tenant shall accept the Additional Space in their AS-IS, WHERE-IS condition, with all faults, including both patent and latent defects, and Tenant taking possession of the Additional Space shall be conclusive evidence of the foregoing. In no event shall Landlord be responsible for any costs, expenses or delays incurred by Tenant in bringing the Additional Space or the Building into compliance with all applicable building codes, regulations, laws and ordinances except Landlord will reimburse Tenant for any costs previously approved in writing by Landlord incurred by Tenant to install a sprinkler system in the Additional Space if installation of same is required of Tenant by applicable law. Additionally, except as expressly provided in the Lease to the contrary, **Tenant acknowledges that neither Landlord nor any agent of Landlord has made (the same being expressly DISCLAIMED) any representation or warranty, implied or express, regarding the habitability, condition, merchantability, fitness or suitability of the Building, the Parking Facility, the Leased Premises or the Additional Space or any construction, fixtures or personal property leasehold improvements.** The Additional Space is currently occupied by another occupant and Landlord's tender of the Additional Space will not occur until after such existing occupant vacates and surrenders the Additional Space. Landlord estimates that Landlord's tender of the Additional Space will occur by approximately February I, 2018, but Tenant releases Landlord from any claims against Landlord for any delay in such date. If Tenant desires to construct any improvements to the Additional Space or Leased Premises, Tenant shall be responsible for such construction (which shall be known as "Tenant's Work") and the following shall apply: (a) all work performed by Tenant shall be done in a manner which does not interfere with completion of any work being done by Landlord or other tenants or occupants of the Building or with the use of the Building by Landlord, other tenants, occupants or guests; (b) all such work shall be in compliance with all rules and regulations established by Landlord, any governmental authority, any insurance company insuring Landlord or Tenant, and otherwise in full compliance with the other provisions of the Lease; (c) Tenant must first submit plans for the same to Landlord for Landlord's prior approval in form and detail reasonably requested by Landlord, and Tenant must construct the same in strict accordance with the plans approved by Landlord and any design or construction criteria promulgated by Landlord in connection therewith, and upon completion of the same Tenant shall provide Landlord with a complete set of as-built plans (including CAD files) for the Leased Premises (or the portion thereof modified in the case of construction or alterations affecting only a portion of the Leased Premises); (d) Tenant must get Landlord's prior written consent prior to beginning any such construction, alteration, improvement, addition or placement, such consent to be given at Landlord's sole discretion if it affects structural, mechanical, electrical or plumbing systems in the Building, and such consent not to be unreasonably withheld for interior alterations to the Leased Premises which do not affect structural, mechanical, electrical or plumbing systems; (e) all workmen, artisans, and contractors employed for such purposes shall be obtained through or specifically approved by Landlord in its reasonable discretion prior to the commencement of any work in the Building; (f) such workmen, artisans and mechanics must furnish evidence of insurance acceptable in all respects to Landlord prior to the commencement of any work in the Building and comply with any other requirements that Landlord may deem appropriate; and (g) Tenant shall furnish to Landlord copies of all construction contracts for the work prior to the commencing of any work in the Building. Additionally, if Landlord (or Landlord's contractors) agrees to perform at Tenant's request and upon submission by Tenant of necessary plans and specifications, any additional work not being performed by Tenant, such work shall be performed by Landlord (or Landlord's contractors) at Tenant's sole expense. Prior to commencing any of the foregoing work, Landlord will submit to Tenant written estimates of the cost of any such work. If Tenant shall fail to approve any such estimates within five (5) business days from the date of submission thereof in writing by Landlord, then same shall be deemed disapproved in all respects by Tenant, and Landlord shall not be authorized to proceed thereon. Tenant agrees to pay Landlord the cost of all such work within thirty (30) business days after Landlord presents Tenant an invoice therefor. Alternatively, at Landlord's election, prior to Landlord's (or Landlord's contractors) commencing any such work, Tenant shall pay to Landlord (or make financial arrangements acceptable in all respects to Landlord to pay for) all (or such portion as Landlord may designate) of the estimated cost of all such work.

B. Construction Allowance.

(a) In consideration for the performance of Tenant's Work in the Additional Space, the Leased Premises, the twelfth (12th) floor elevator lobby, restrooms or public corridors by Tenant, provided no uncured Event of Default shall then exist, Landlord agrees to reimburse Tenant the lesser of (x) $1,019,100.00; or (y) the total cost of Tenant's Work (the "Construction Allowance"), provided the Construction Allowance shall not in any event apply towards removable fixtures or equipment or trade fixtures. The Construction Allowance shall be paid as follows: (A) if Landlord's contractor constructs Tenant's Work, the Construction Allowance shall be paid by Landlord to Landlord's contractor for credit to the sums due under the construction contract; or (B) if Landlord agrees in writing to the selection of a contractor other than Landlord's contractor for the construction of Tenant's Work, then Landlord shall pay to Tenant the Construction allowance within thirty (30) days after satisfaction of each of the conditions below:

(i) Tenant has submitted to Landlord a copy of all building permits with all sign-offs executed;

(ii) Tenant's delivery to Landlord of notarized, final, unconditional lien waivers and releases, in statutory form, for all contractors, subcontractors and materialmen who performed work or supplied materials in connection with the completion of Tenant's Work, and all applicable statutory lien periods have expired and no affidavits of liens have been recorded against the Leased Premises, the Building or the Project; provided, that with respect to any affidavit of lien, unpaid bill notice or funds trapping notice received by Landlord, Landlord may at its option, disburse that portion of the Construction Allowance less an amount sufficient to bond around (in accordance with the Texas Property Code) the amount referenced in such instrument;

(iii) All required inspections of Tenant's Work by governmental agencies have taken place and the completed Tenant's Work has passed such inspections;

(iv) Tenant has completed Tenant's Work;

(v) Tenant has commenced business operations for the Permitted Use in the Leased Premises;

(vi) If requested by Landlord, Tenant has submitted to Landlord a copy of Tenant's timely recorded Affidavit of Completion, prepared and recorded in accordance with statutory requirements and all applicable lien periods have passed;

(vii) Tenant has delivered to Landlord a final Certificate of Occupancy for the Leased Premises;

(viii) Tenant has submitted to Landlord a copy of all invoices and proof of payment for Tenant's Work in at least the amount of the Construction Allowance;

(ix) Tenant has paid to Landlord all amounts owing to Landlord pursuant to the Lease as of the date reimbursement is to be made; provided, that Landlord may at its option, disburse that portion of the Construction Allowance less an amount sufficient to pay for such amounts due and owing to Landlord.

(b) Landlord's payment of any or all of the Construction Allowance shall not constitute Landlord's approval or acceptance of the work furnished or materials supplied for the Leased Premises. Landlord may dispute in good faith any request for formal payment based upon material non-compliance of any of Tenant's Work with the plans approved by Landlord or any criteria promulgated by Landlord in connection therewith or due to any materially substandard work as identified in good faith by Landlord ("Substandard Work"). If Landlord identifies any Substandard Work, Landlord shall provide Tenant with a detailed statement identifying the Substandard Work, Tenant shall correct such Substandard Work and Landlord may withhold payment from the Construction Allowance until Landlord receives reasonable evidence that the Substandard Work has been corrected. If Tenant disputes Landlord's determination of Substandard Work, the matter shall be resolved by Landlord's architect and Tenant's architect. Landlord's obligation to disburse the Construction Allowance shall be suspended during any period when Tenant is disputing Landlord's determination of Substandard Work. Additionally, after the conditions for disbursement of the Construction Allowance are satisfied but there remains some portion of the full potential amount of the Construction Allowance which was not used on or before June 22, 2021, then provided there is no Event of Default then in existence, one-half (1/2) of such unused Construction Allowance shall be applied toward the next payments of Base Rent due under this Lease and the availability of the remaining one-half (1/2) of such unused Construction Allowance will then automatically terminate and no longer be available to Tenant.

(c) Tenant is permitted to lock off the twelfth (12th) floor elevators, the freight elevator and the stair door wells provided same is permitted by the City of Houston building code and further provided Landlord has the right to unlock same if required by the City of Houston building code.

V.

The Expiration Date of the Term of the Lease, which is currently June 21, 2019, is hereby extended to be June 21, 2029, on the same terms and conditions which were in effect under the Lease immediately prior to June 21, 2019 (except for those which by their specific terms are not applicable after the extension of the Term beyond such date); provided, that the other modifications set forth in this Amendment shall be given full effect. Except as provided in Paragraph IX of this Amendment, this extension of the Term is in lieu of any and all other options to extend or renew the Term of the Lease, which other options are void and of no force or effect.

VI.

Commencing on June 22, 2019 and continuing thereafter for the remainder of the Term, Tenant shall continue to pay the Operating Expense Component in accordance with the Lease, except that the "Basic Cost" to be used in computing the Operating Expense Component shall be an amount equal to Zero Dollars ($0). It is the parties' intent that as a result of such change Tenant shall pay the Operating Expense Component on a full net basis instead of on gross/base year basis. The initial estimated amount of Tenant's pro rata share which Tenant shall pay monthly with each payment of Base Rent until Landlord notifies Tenant to pay a different amount shall be computed on the basis of one-twelfth (l/12th) of $13.94 per square foot of Rentable Area. If more than one method of computing the Operating Expense Component shall be in effect for any fiscal year, the same shall be pro-rated for the period of time each is in effect. For purposes of computing the management fee under Paragraph 1(a) of Exhibit D of the Lease, the term "base rent" is amended to be the term "rents" and the number "4.5%" is amended to the number "4.0%".

VII.

As a result of the leasing by Tenant of the Additional Space and the extension of the Term set forth herein, the sums which Tenant shall be obligated to pay to Landlord as Base Rent during the period commencing on June 22, 2019 and continuing through the remainder of the Term of the Lease shall be as follows.

Period	**Monthly Base Rent**
06/22/19 – 06/21/24:	$ 57,103.57
06/22/24 – 06/21/29	$ 63,897.57

VIII.

Due to the expansion of the Leased Premises pursuant to this Amendment, Tenant shall not be permitted to exercise the termination right set forth in Paragraph 1 of Exhibit F of the Lease (the "Termination Right") until after June 22, 2024 (the "Effective Termination Date"), and if Tenant in fact exercises the Termination Right, then the Termination Fee set forth in Paragraph 1 of Exhibit F shall equal the portion of the costs incurred by Landlord in connection with this Amendment, and/or any space otherwise added to the Lease by mutual written agreement of the parties, for the following, as each are unamortized as of the effective termination date: (1) the Construction Allowance and/or any other construction expense or tenant improvement allowance advanced or incurred by Landlord (including in connection with any expansion of the Leased Premises) and (2) leasing commissions paid by Landlord to Landlord's broker (including a 2% in-house commission if no third party broker is paid) and/or to any tenant broker, including Tenant's Broker (including in connection with any expansion of the Leased Premises). For purposes hereof, the "unamortized" portion of the costs in clauses (1) and (2) of the previous sentence means the amount that has not yet been recovered by Landlord from Base Rent under the Lease when computed using straight-line amortization over the period of time for which Tenant has made full payments of Base Rent during that portion of the Term which occurs on or after June 21, 2019, compared to the period of time for which such payment of Base Rent was originally scheduled to have been payable during that portion of the Term beginning with the Additional Space Rent Commencement Date of the Lease but for such termination. The Termination Fee shall be paid within thirty (30) days after Landlord provides Tenant a written calculation of the amount due. Notwithstanding the foregoing, if Tenant expands the Leased Premises and commences payment of Base Rent on such expanded portion at any time after June 21, 2019, either by the exercise of the Preferential Right or by mutual agreement between Landlord and Tenant, then each time Tenant expands the Leased Premises, (but not if Tenant expands by less than 2,000 square feet) the Effective Termination Date shall be reset to the date that is five (5) years after the date that Tenant commences paying Base Rent in the expansion space with the Termination Fee to include (a) the amount of any construction allowance and/or any other construction expense or tenant improvement allowance advanced or incurred by Landlord (in connection with the expansion of the Leased Premises, (2) leasing commissions paid by Landlord to Landlord's broker (including a 2% in-house commission if no third party broker is paid) and/or to any tenant broker in connection with the expansion of the Leased Premises and (3) the amount of abatements, if any, which shall be amortized as set forth above in this Paragraph VIII, except that the amortization period shall be over that portion of the Term from the date Tenant commences paying Base Rent on an expansion space through the Effective Termination Date (as such date is reset to coincide with any expansion of the Leased Premises).

IX.

(a) Subject to the condition that there shall not at the time exist an Event of Default beyond applicable cure period, Landlord hereby grants Tenant the option (the "Extension Option") to make one (1) extension of the Term for five (5) years, commencing on June 22, 2029. No modifications of the Lease shall occur as a result of any Extension Option, except for the actual extension of the Term itself and except that Base' Rent, the Operating Expense Component and Parking Charges, if any, shall be based upon the Prevailing Market Rate for such Extension Option, and other provisions expressly applicable or inapplicable only during a certain period of time shall continue to only be applicable or inapplicable during such certain period of time. Notwithstanding the foregoing, an Extension Option may not be exercised if it has the effect of allowing a subtenant to remain in occupancy of the Leased Premises during that Extension Option. In order to exercise such Extension Option, Tenant shall advise Landlord in writing of its intent to exercise the Extension Option no later than twelve (12) months nor earlier than fifteen (15) months prior to the Expiration Date. Within fifteen (15) days thereafter, Landlord either: (i) may request that Tenant provide a balance sheet, a statement of income and expense, and a statement of cash flows covering Tenant for the end of the most recent fiscal year then available (and the most recent quarter if available), and, if the same were audited by an accounting firm, an opinion of an independent certified public accountant indicating the financial statement has been prepared in conformity with generally accepted accounting principles consistently applied and fairly present the financial condition and results of the operations of Tenant for that year (and quarter), or if the same were not audited by an accounting firm, then Tenant shall provide a certificate of the chief financial officer, owner or partner of Tenant reasonably acceptable to Landlord to the same effect; or (ii) shall advise Tenant in writing of the Prevailing Market Rate applicable during the term of the Extension Option. Notwithstanding the foregoing, if the aforesaid financial statements are a matter of public record, Tenant shall not be required to provide the same. If Tenant provides such financial statements, Landlord shall within fifteen (15) days thereafter advise Tenant in writing of the Prevailing Market Rate applicable during the term of the Extension Option; provided, however that if Landlord has requested that Tenant provide financial statements and Tenant does not provide such financial statements within thirty (30) days, Landlord is under no obligation to provide Tenant the Prevailing Market Rate. Within thirty (30) days after Tenant has received such Prevailing Market Rate from Landlord, Tenant shall give Landlord written notice of the exercise of this Extension Option if Tenant desires to exercise its Extension Option. Failure of Tenant to provide the such financial statements and/or to give either of such notices within the periods set forth above shall cause such Extension Option to be void and of no further force and effect.

(b) The term "Prevailing Market Rate" as used in this Paragraph IX shall be the prevailing annual rental rates that a new or existing tenant would pay and a landlord would accept in an arm's length, bona fide negotiation for a lease of subject premises to be executed at the time of determination and to promptly commence thereafter, based upon other transactions in other comparable first class office buildings, including the Building, in the West Houston and Energy Corridor submarket area in Houston, Texas within the nine (9) months immediately preceding the notice date, taking into consideration all relevant terms and conditions including, age, location and quality of the building, floor level and location on the floor, use and size of the space in question, definition of Rentable Area, extent of existing leasehold improvements, leasehold improvement allowances to be provided, rental abatement, lease takeovers and assumptions, moving allowances and other concessions, term of lease, parking ratio, extent of services to be provided, base year or figure of escalation purposes, adjustments to base rental, the time the particular rental rate under consideration became or is to become effective, and any other relevant term or condition, including, without limitation, the credit strength of the tenant and any guarantor.

(c) If by the end of the thirty (30) day period referred to in this Paragraph IX(a) the parties have not reached agreement then upon Tenant timely notifying Landlord as required by this Paragraph IX(a), the Prevailing Market Rate for the applicable Extension Term shall be determined by arbitration pursuant to the following procedures: Landlord and Tenant shall each appoint a broker with a minimum of ten (10) years of experience negotiating leases of similar size in similar quality and type buildings who is knowledgeable in building rates and terms in the area in which the Leased Premises are located, and the two brokers shall, within ten (10) business days after their selection, designate in writing their respective determinations of Prevailing Market Rate and agree upon and appoint an independent third broker with the same qualifications. The third broker shall decide whether Landlord's or Tenant's broker's determination of Prevailing Market Rate is closest to the true Prevailing Market Rate within ten (10) business days after the third broker's appointment. This determination of Prevailing Market Rate by the third broker shall be binding on both Landlord and Tenant. Landlord and Tenant shall each bear the cost of its broker and shall share equally the cost of the third broker.

(d) Tenant's rights under this Paragraph IX shall terminate if (i) the Lease or Tenant's right to possession of the Leased Premises is terminated for any reason, (ii) Tenant assigns any of its interest in the Lease or sublets any portion of the Leased Premises to a party not permitted by the Lease, or (iii) Tenant fails to timely exercise its option under this Paragraph IX, time being of the essence with respect to Tenant's exercise thereof. Notwithstanding the foregoing, an Extension Option may not be exercised if it has the effect of allowing a subtenant who is unaffiliated with Tenant to remain in occupancy of the Leased Premises during that Extension Option.

X.

Subject to the condition that there shall not at the time exist an Event of Default by Tenant nor has an event which with the passage of time or giving of notice would constitute an Event of Default occurred, Landlord hereby grants Tenant a continuing right of first refusal to lease additional premises situated in the Building (the "Continuing Right of First Refusal") under the following terms and conditions:

(a) Commencing on the Additional Space Rent Commencement Date and thereafter during the Term of the Lease, if Landlord shall receive a bona fide written offer which Landlord is willing to accept (a "Third Party Offer") from a prospective tenant with respect to any portion of the seventh (7th) or eleventh (11th) floor of the Building (the "Continuing Right of First Refusal Space"), Landlord shall give written notice to Tenant of such offer, with a listing of the terms contained in the Third Patty Offer required to provide the information required below.

(b) Tenant shall then have the Continuing Right of First Refusal for a period of ten (10) business days after receipt of written notice of the information in Paragraph X(a), during which Tenant may elect in writing to lease the entirety of the particular Continuing Right of First Refusal Space, which must include any other space which is the subject of the Third Party Offer, which Landlord has proposed to lease to the prospective third party tenant, based upon the same terms and conditions as the Lease, except that the Base Rent, the Operating Expense Component, Parking Charges (and any other payments to Landlord) for the Continuing Right of First Refusal Space shall be the amounts set forth in the Third Party Offer, and Tenant shall be entitled to the number of parking spaces set forth in the Third Party Offer, and if the remaining Term of this Lease is insufficient to meet the Term Requirement, then the Term of the Lease shall be extended for the Term Requirement with respect to the Continuing Right of First Refusal Space added to the Leased Premises pursuant to the provisions of this Paragraph X (but if the remaining Term of the Lease is sufficient to meet the Term Requirement then no extension of the Term of the Lease shall occur). Further, Tenant agrees to accept the Continuing Right of First Refusal Space from Landlord in its AS IS, WHERE IS condition subject to any tenant improvement allowance or construction of improvements set forth in the Third Party Offer. Notwithstanding the foregoing, in the event that the primary term of the lease under the Third Party Offer is to extend beyond the then Expiration Date of the Lease, the Term of the Lease shall be extended for the period of time necessary to match the expiration date of the primary term of the lease under the Third Party Offer (the "Term Requirement") with respect to the Continuing Right of First Refusal Space added to the Leased Premises pursuant to the provisions of this Paragraph X, but the provisions of Paragraph X(i) shall apply to the other portions of the Leased Premises as to which the Term is not extended (and the dates on which an Extension Option is to be exercised and the commencement of that portion of the Term which occurs during such Extension Option shall not be affected by this extension of the Term).

(c) In the event Tenant elects to lease the Continuing Right of First Refusal Space which Landlord has proposed to the prospective third party tenant, an amendment of the Lease shall be executed by Landlord and Tenant not later than ten (10) days after Landlord shall have submitted to Tenant copies of such amendment for execution. The commencement date of the term of the particular Continuing Right of First Refusal Space leased by Tenant under this Paragraph X shall be the earlier to occur of (i) the date Tenant commences to use the Continuing Right of First Refusal Space in the ordinary course of its business or (ii) the date the tenant under the Third Party Offer would have been able to take occupancy of the Continuing Right of First Refusal Space.

(d) In the event Tenant fails to exercise the Continuing Right of First Refusal as granted herein, Landlord and any prospective third party tenant may enter into a lease agreement covering the Continuing Right of First Refusal Space which was the subject of such Third Party Offer based upon terms and conditions no more than five percent (5%) more favorable (taken as a whole) than as was set forth in the notice given by Landlord under Paragraph X(a) without re- notifying Tenant of such revised economic terms and Tenant's rights hereunder shall be subject to the rights of the third party (and their successors and assigns) in and to the space leased by such third party. In the event that Landlord fails to enter into a final lease agreement for the Continuing Right of First Refusal Space with a prospective third party on terms and conditions no more than five percent (5%) more favorable (taken as a whole) than as was set forth in the notice given by Landlord under Paragraph X(a), Tenant's Continuing Right of First Refusal remains in effect. If Tenant fails or declines to exercise the Continuing Right of First Refusal as granted herein, Tenant will execute an instrument which acknowledges or confirms the same.

(e) Tenant's Continuing Right of First Refusal shall terminate upon the earliest to occur of the following: (i) Tenant leases the Continuing Right of First Refusal Space, or any portion thereof, either by exercising this Continuing Right of First Refusal or otherwise however, the Continuing Right of First Refusal shall only terminate as to the specific space leased by Tenant pursuant to the specific Continuing Right of First Refusal and shall remain in existence for any future offers for remaining Continuing Right of First Refusal Space; or (ii) the termination of the Lease or Tenant's right to possession of the Leased Premises as a result of an Event of Default by Tenant; or (iii) the expiration of the Term of the Lease, as same may be extended from time to time .

(f) Notwithstanding anything to the contrary contained in this Paragraph X, the rights in and to the Continuing Right of First Refusal Space, or any portion thereof, which are granted to Tenant under this Paragraph X are subject to, inferior and subordinate to: (i) the ability of the then existing occupants (or a successor business being conducted under the same trade name as was then conducted by the then existing occupants) of the Continuing Right of First Refusal Space to be permitted to extend the terms of their leases (or enter into a new lease) upon Landlord's agreement to do so (whether or not such third party tenant currently has that right); and (ii) the rights in and to the Continuing Right of First Refusal Space, or any portion thereof, which are currently held by third parties, under lease agreements with Landlord, or under any future revision, alteration, modification or amendment of such lease agreement or under any new lease agreement entered into between Landlord and such third party occupant or their successors or assigns; and (iii) the rights of any third party which acquires a present vested right of first refusal, right of first offer or expansion option in and to the Continuing Right of First Refusal Space, or any portion thereof, before the same becomes Continuing Right of First Refusal Space hereunder (e.g., in a situation covering space which is not contiguous to the Leased Premises until after Tenant expands the Leased Premises to include space which is contiguous to the Leased Premises on the date hereof. In addition, Landlord shall not be obligated to give written notice of the Third Party Offer with respect to any portion of the Continuing Right of First Refusal Space unless or until the aforesaid third party occupant or their successors or assigns fail to exercise any rights which they may then have in and to such Continuing Right of First Refusal Space with respect thereto.

(g) Notwithstanding anything to the contrary contained in this Paragraph X, Tenant shall not have any rights to lease the Continuing Right of First Refusal Space under this Paragraph X if there are less than eighteen (18) months remaining in the Term of the Lease (not counting any unexercised options to extend the Term) unless Tenant has an extension option which is still available (either at the then present time or at some time in the then future) to be exercised and at the time of such exercise of its Continuing Right of First Refusal, Tenant also simultaneously irrevocably exercises such extension option (which will be permitted in this situation even if such exercise would have otherwise been premature).

(h) Time is of the essence with respect to the exercise by Tenant of any Continuing Right of First Refusal under this Paragraph X.

(i) If the Term shall be extended to meet the Term Requirement, Tenant shall vacate that portion of the premises constituting the Leased Premises as to which the Term was not extended (for example, assuming there has only been one right of first refusal exercised, then the surrender space shall be that portion of the Leased Premises other than the right of first refusal space) (the "Surrendered Space") on the date such Term was scheduled to expire (unless the Term is extended as to the entirety of the Leased Premises by an agreement of the parties or by the exercise of an Extension Option) (the "Surrender Date"). Upon the continuance or commencement of any portion of the Term which results in any Surrendered Space: (1) on or prior to the Surrender Date, Tenant, at Tenant's sole cost and expense, shall remove from the Surrendered Space the trade fixtures, personal property and equipment which Tenant is entitled to remove under the Lease at the expiration of the Term; (2) Tenant, at Tenant's sole cost and expense, shall promptly repair all damage to the Surrendered Space, the Leased Premises and the Building caused in connection with the removal of the aforesaid property and pay Landlord (if not already paid) for the cost of reconfiguring any walls, doors and related improvements in or reasonably necessary to serve the remaining Leased Premises or the Surrendered Space; (3) Tenant shall vacate the Surrendered Space on or prior to the Surrender Date and surrender the Surrendered Space in the condition in which Tenant would be required to surrender the Leased Premises upon the expiration of the Term; (4) commencing effective on the day after the Surrender Date and continuing for the remainder of the Term, the number of parking spaces which Tenant is permitted to use and required to pay Parking Charges for shall be reduced in the same proportion that the size of the Surrendered Space bears to the Leased Premises (before the Surrender Date); (5) if Tenant does not vacate and surrender the Surrendered Space by the Surrender Date then the hold over provisions of the Lease shall apply to Tenant's continued occupancy of the Surrendered Space without further notice from Landlord; and (6) Tenant shall execute an amendment to the Lease which memorializes the changes which occur on the Surrender Date within ten (10) days of submission of the same to Tenant for signature by Landlord.

(j) Subject to the condition that there shall not then exist an Event of Default by Tenant, Landlord hereby grants Tenant the option (the "ROFR Space Extension Option") to extend the Term with respect to any particular Continuing Right of First Refusal Space which expires prior to the then Expiration Date of the Term to be coterminous with the then Expiration Date of the Term. The extension of the Term with respect to the particular Continuing Right of First Refusal Space shall be subject to all the same terms, covenants and conditions of the Lease except Base Rent, the Operating Expense Component and Parking Charges, if any, during such extended term shall be the Prevailing Market Rate, and other provisions expressly applicable or inapplicable only during a certain period of time shall continue to be applicable or inapplicable during such certain period of time. In order to exercise each ROFR Space Extension Option, Tenant shall advise Landlord in writing of its intent to extend no later than nine (9) months nor earlier than twelve (12) months prior to the date which would otherwise be the Surrender Date with respect to such particular Continuing Right of First Refusal Space (with respect to the first Extension Option). Within thirty (30) days after Tenant has received such Prevailing Market Rate from Landlord (during which time the parties may seek to agree upon the Prevailing Market Rate), Tenant shall either (1) give Landlord written notice of the exercise of the applicable ROFR Space Extension Option (at the Prevailing Market Rate designated by Landlord in its notice or such other Prevailing Market Rate agreed to in writing by Landlord and Tenant), (2) withdraw its exercise of the applicable ROFR Space Extension Option. If Tenant has not notified Landlord in writing of its acceptance of Landlord's determination of Prevailing Market Rate, then the Term of the Lease with respect to such particular Continuing Right of First Refusal Space shall not be extended for such ROFR Space Extension Option. Failure of Tenant to give any of the aforesaid notices within the periods set forth above shall cause such ROFR Space Extension Option with respect to such particular Continuing Right of First Refusal Space to be void and of no further force and effect.

XI.

Paragraph 3, of Exhibit F (Preferential Right) of the Lease is hereby deleted and of no further force or effect.

XII.

Notwithstanding anything to the contrary in Exhibit D to the Lease, for the period of time from the Cap Start Date through the initial Expiration Date (June 21, 2029, but not beyond such date should the Term extend beyond such initial Expiration Date), in no event shall the Operating Expense Component increase by more than the percentage stated in the table below for such fiscal year over the total dollar amount of the Operating Expense Component for the fiscal year ending comprising the Cap Base Year be more than the amount per square foot of Rentable Area stated in the table below for such fiscal year except as may be attributable to (i) insurance premiums and insurance deductibles, (ii) increases in security costs due to additional staffing levels, (iii) janitorial costs or any other costs which increase as a result of unionization, (iv) utilities or (v) real estate and ad valorem taxes and expenses incurred to protest such taxes; provided, however, that if in any year, the size of the Leased Premises shall differ or if the Operating Expense Component is not paid for an entire year, then an adjustment on a daily or per square foot pro rata basis, as appropriate, shall be made in the determination of the amount payable by Tenant in any year so that the limitations set forth in this paragraph are given their proper effect; and provided, further, that if Tenant was directly incurring an expense which Landlord subsequently incurs as an Operating Expense (e.g., janitorial, electricity, etc.), such expense shall be included in expenses for the Cap Base Year even if not actually incurred by Landlord during the Cap Base Year. The term "Cap Base Year" means a one year period from April 1, 2019 through March 31, 2020. The term "Cap Start Date" shall mean April 1 of Landlord's fiscal year, immediately following the Cap Base Year.

The first year after the Cap Base Year	6.00%
The second year after the Cap Base Year	12.36%
The third year after the Cap Base Year	19.10%
The fourth year after the Cap Base Year	26.25%
The fifth year after the Cap Base Year	33.82%
The sixth year after the Cap Base Year	41.85%
The seventh year after the Cap Base Year	50.36%
The eighth year after the Cap Base Year	59.38%
The ninth year after the Cap Base Year	68.95%
The tenth year after the Cap Base Year	79.09%

XIII.

Other than Pollan Hausman Real Estate Services (Attn: Craig Hausman) ("Tenant's Broker"), Tenant represents to Landlord that it has not engaged any real estate or leasing broker, agent or finder in connection with this Amendment or the transactions pursuant hereto and Tenant's Broker is the only leasing broker, agent or finder who is entitled to a commission in connection with this Amendment or the transactions pursuant hereto, which commission shall be paid by Landlord pursuant only to a separate written agreement between Landlord and Tenant's Broker. Tenant shall indemnify, defend and hold Landlord harmless from and against any claims, costs, losses, damages, fees, fines, commissions, penalties, interest, judgments, amounts paid in settlement or expenses incurred by Landlord by virtue of a breach of this representation made by Tenant.

XIV.

Capitalized terms not defined herein shall have the meanings given to them in the Lease. The Exhibits, if any, attached to this Amendment and referred to herein are incorporated herein for all purposes. This Amendment and the Lease shall not be amended, changed or extended except by written instrument signed in the form of manual signatures by the parties hereto. This Amendment together with the Lease constitutes the entire agreement between Landlord and Tenant relating to the Lease and the amendment thereof and Tenant expressly acknowledges that all related negotiations, letters of intent, terms sheets, considerations, representations and understandings between Landlord and Tenant related to the subject matter hereof have been superseded by and are incorporated into the Lease, as amended by this Amendment. Except as modified by this Amendment, the Lease remains unchanged, is ratified by the parties and continues unabated in full force and effect.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, THIS AGREEMENT SHALL NOT BECOME EFFECTIVE AND BINDING UNTIL THIS AGREEMENT IS SIGNED (USING MANUAL SIGNATURES) BY TENANT AND BY THREE OFFICERS ON BEHALF OF LANDLORD AND THE DELIVERY OF A FULLY EXECUTED ORIGINAL OF THIS AGREEMENT TO TENANT.

EXECUTED on November 4, 2017, in multiple counterparts, each of which shall have the full force and effect of an original.

LANDLORD:

MEMORIAL CITY TOWERS, LTD.

ATTEST:

By: MEMORIAL CITY TOWERS GP, LLC, its sole General Partner

/s/ William M. Mosley
William M. Mosley, Jr., Secretary

By: /s/ Jason Johnson
Jason Johnson, President

By: /s/ Scooter Hicks
Scooter Hicks, Chief Operating Officer

TENANT:
HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.

WITNESS/ATTEST:

[ILLEGIBLE]

By: [ILLEGIBLE]
Name: [ILLEGIBLE]
Title: [ILLEGIBLE]

Attached
Exhibit A — Additional Space
Exhibit B — Leased Premises

EXHIBIT A
Additional Space
(Shaded Area)

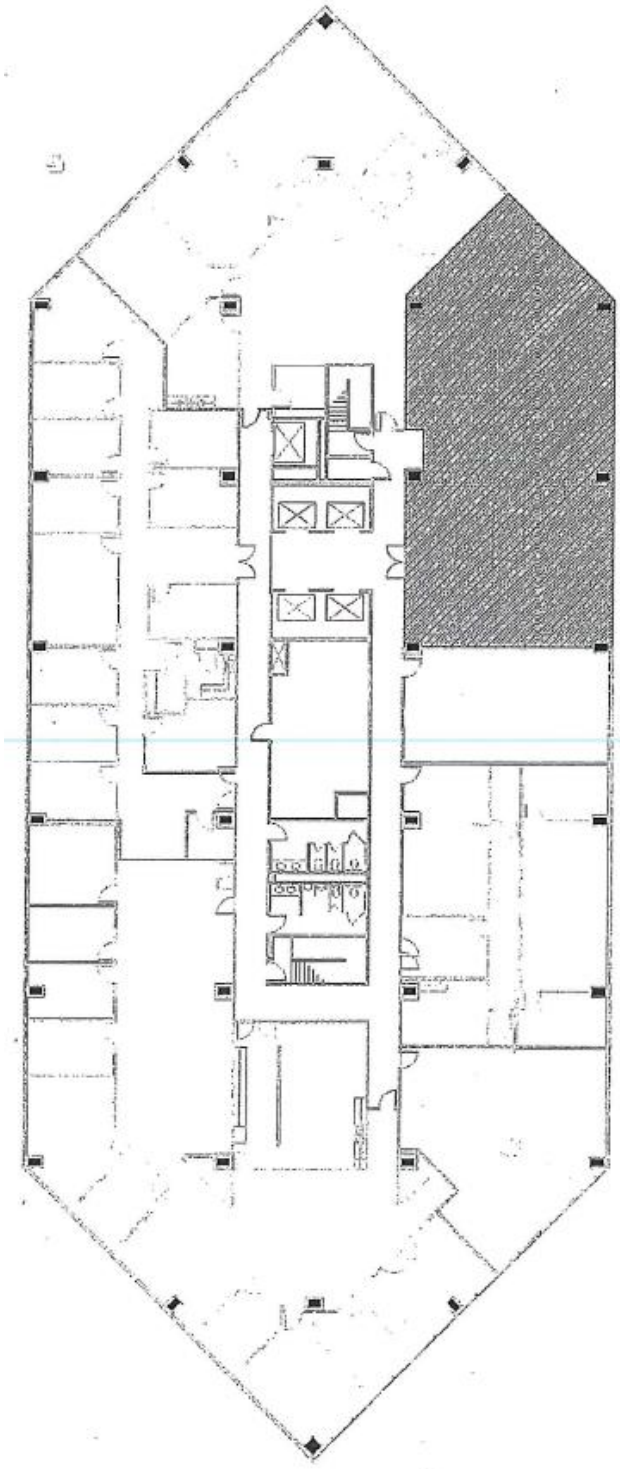
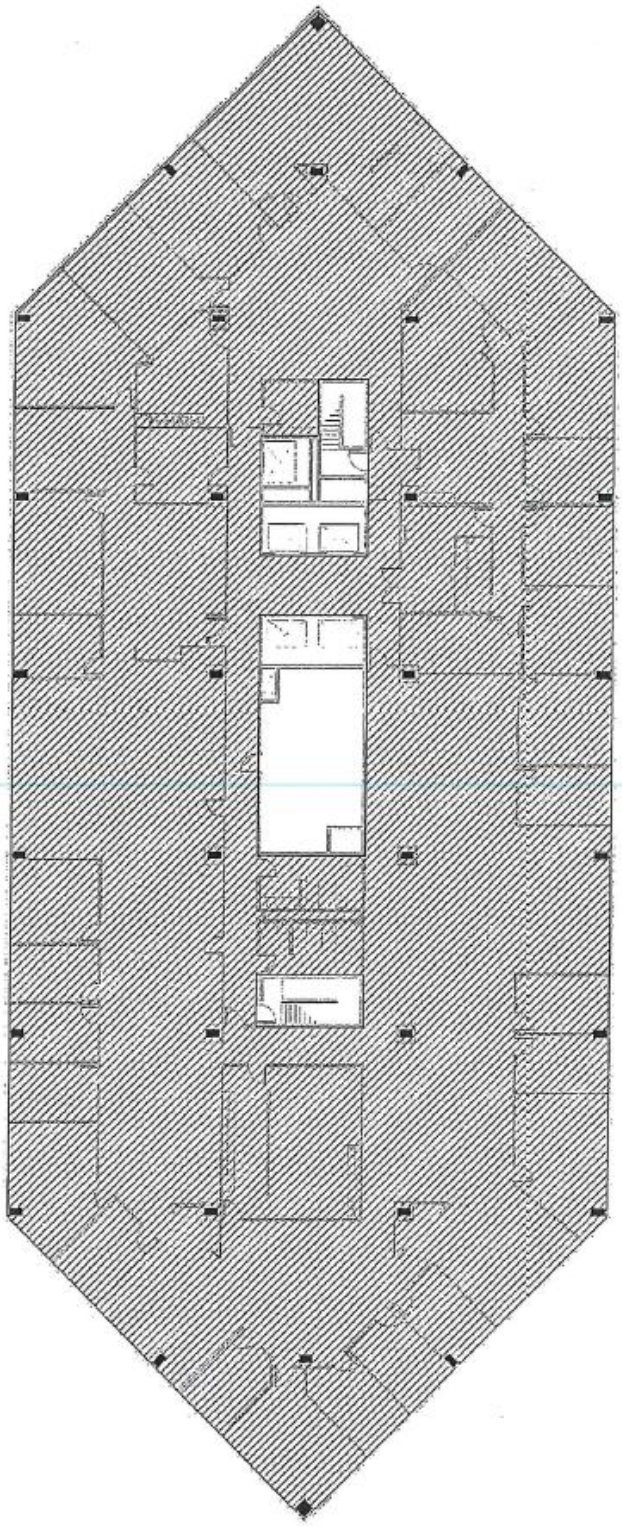


EXHIBIT B
Lessed Premises
(Shaded Area)



SUPPLEMENTAL COMMENCEMENT AGREEMENT

THIS SUPPLEMENTAL COMMENCEMENT AGREEMENT (this "Agreement") is entered into between MEMORIAL CITY TOWERS, LTD., a Texas limited partnership ("Landlord"), and HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation ("Tenant").

RECITALS

Landlord and Tenant previously entered into a Lease Agreement dated December 1, 2008, a First Amendment of Lease dated February 16, 2009, a Lease Commencement Agreement dated August 24, 2009, a Supplemental Parking Agreement dated September 24, 2009, a Second Amendment of Lease dated August 17, 2010, a Supplemental Letter Agreement dated August 26, 2010, a Supplemental Commencement Agreement dated November 8, 2010, a Third Amendment of Lease dated February 20, 2013, a Supplemental Commencement Agreement dated September 25, 2013, a Fourth Amendment of Lease dated April 21, 2015, a Fifth Amendment of Lease dated July 27, 2015, a Supplemental Commencement Agreement dated October 7, 2015, a Supplemental Commencement Agreement dated April 7, 2016, a Sixth Amendment of Lease dated May 9, 2016, a Supplemental Commencement Agreement dated February 24, 2017, and a Seventh Amendment of Lease dated November 6,2017 (and together with any permitted lease assignments and properly delivered notification letters, collectively, the "Lease"), covering approximately 40,764 square feet of Rentable Area on the sixth (6th) floor, Suite 600 and on the twelfth (12th) floor, Suite 1200, Suite 1220, Suite 1225, Suite 1240, Suite 1260 and Suite 1280 (as more particularly described in the Lease, the "Leased Premises"), in the building known as ONE MEMORIAL CITY PLAZA located at 800 Gessner in Houston, Harris County, Texas.

Pursuant to the Seventh Amendment of Lease referred to above, Landlord has delivered the Additional Space to Tenant and Tenant has accepted the same and is now occupying the Additional Space, and the Additional Space has been added to the Leased Premises under the Lease. Landlord and Tenant wish to confirm the Additional Space Rent Commencement Date.

AGREEMENTS

In consideration of the premises and mutual covenants herein contained, the undersigned parties agree that the Lease is amended and/or confirmed as follows:

I.

The Additional Space Rent Commencement Date (referred to in the Seventh Amendment of Lease referred to in the recitals of this Agreement) is September 16, 2018.

II.

Capitalized terms not defined herein shall have the meanings given to them in the Lease. This Agreement and the Lease shall not be amended, changed or extended except by written instrument signed in the form of manual signatures by the parties hereto. This Agreement together with the Lease constitutes the entire agreement between Landlord and Tenant relating to the Lease and the amendment thereof and Tenant expressly acknowledges that all related negotiations, letters of intent, terms sheets, considerations, representations and understandings between Landlord and Tenant have been superseded by and are incorporated into the Lease, as amended by this Agreement. Except as modified by this Agreement, the Lease remains unchanged, is ratified by the parties and continues unabated in full force and effect.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, THIS AGREEMENT SHALL NOT BECOME EFFECTIVE AND BINDING UNTIL THIS AGREEMENT IS SIGNED (USING MANUAL SIGNATURES) BY TENANT AND BY THREE OFFICERS ON BEHALF OF LANDLORD AND THE DELIVERY OF A FULLY EXECUTED ORIGINAL OF THIS AGREEMENT TO TENANT.

EXECUTED October 3, 2018, in multiple counterparts, each of which shall have the full force and effect of an original.

LANDLORD:

MEMORIAL CITY TOWERS, LTD.

ATTEST:

By: **MEMORIAL CITY TOWERS GP, LLC,** its sole General Partner

/s/ William M. Mosley
William M. Mosley, Jr., Secretary

By: /s/ Jason Johnson
Jason Johnson, President

By: /s/ Scooter Hicks
Scooter Hicks, Chief Investment Officer

TENANT:

WITNESS/ATTEST:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.

By: [ILLEGIBLE]
Name: [ILLEGIBLE]
Title: EVR

Exhibit 10.10

CLOSING BINDER INDEX

$100,000,000.00 Credit Facilities
from
Prosperity Bank
to
Houston International Insurance Group, Ltd.

Closing Date: December 11, 2019

Borrower	-	Houston International Insurance Group, Ltd.
Guarantors	-	HIIG Service Company HIIG Underwriters Agency, Inc.
Borrower's Counsel	-	Leslie Shaunty, Vice President-Legal, HIIG Service Company
Lender	-	Prosperity Bank (Todd Coultas)
Lender's Counsel	-	Reed Smith LLP (Al Kyle)

A. LOAN DOCUMENTATION

1. Participation Agreement with First Foundation Bank
2. Credit Agreement
3. $50,000,000 Promissory Note (Term Loan Note)
4. $50,000,000 Revolving Promissory Note
5. Guaranty Agreement
6. Security Agreement
7. Pledge and Security Agreement
8. Trademark Security Agreement
9. Notice of Final Agreement
10. Flow of Funds; Request for Advance

11. UCC Financing Statement for Security Agreement ***[recorded with Delaware SOS]***

B. AUTHORITY DOCUMENTS

1. Opinion of Counsel

2. Secretary's Certificate of Borrower, dated December 11, 2019, certifying the Organizational Documents and Corporate Resolutions of Borrower

3. Secretary's Certificate of HIIG Underwriters, dated December 11, 2019, certifying the Organizational Documents and Corporate Resolutions of HIIG Underwriters

4. Secretary's Certificate of HIIG Service, dated December 11, 2019, certifying the Organizational Documents and Corporate Resolutions of HIIG Service

C. OTHER DOCUMENTS

1. Compliance Certificate

2. Certificate of Beneficial Owners

3. UCC Searches

PARTICIPATION AGREEMENT

This PARTICIPATION AGREEMENT ("Agreement") is dated as of December 11, 2019 (the "Effective Date"), by and between **PROSPERITY BANK**, a Texas banking association ("Lead") and **FIRST FOUNDATION BANK** ("Participant").

RECITALS

A. Lead has invited Participant to participate in, and Participant desires to participate in, that certain Term Loan (the "Term Loan") originated by Lead to **HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.**, a Delaware corporation ("Borrower") along with a certain Revolving Loan (the "Revolving Loan" and collectively with the Term Loan, the "Loans"), and evidenced by Borrower's promissory notes (as from time to time modified, amended or supplemented, the "Notes"), payable to the order of Lead, and described as follows:

Loan Date	Loans	Maximum Principal Amount	Loan Maturity	Payment Terms
December 11, 2019	Term Loan	$50,000,000.00	December 11, 2024	Interest only monthly, balloon payment at maturity
December 11, 2019	Revolving Loan	$50,000,000.00	December 11, 2024	Interest only monthly, balloon payment at maturity

B. The collateral for the Loans, including any real property, personal property, instruments, accounts and guaranties, is generally described as follows:

(i) First priority security interest in certain assets of the Borrower as more particularly set forth in: (a) that certain Pledge Agreement executed by and between Borrower and Lead, and (b) that certain Security Agreement executed by and between Borrower and Lead; and

(ii) Guaranty Agreement, executed by HIIG Service Company and HIIG Underwriters Agency, Inc. for the benefit of Lead.

C. Lead and Participant desire to set forth their respective undivided interests in the Term Loan and other agreements between them relating to the Loans.

AGREEMENT

NOW THEREFORE, in consideration of the premises and the mutual covenants contained herein, Lead and Participant hereby agree as follows:

1. **Loan Documents**. The Loans are made in accordance with that certain Credit Agreement, dated December 11, 2019 (as from time to time modified, amended or supplemented, the "Loan Agreement") between Borrower and Lead. The Loans shall be evidenced by the Notes which shall be payable to the order of Lead and further shall be evidenced and secured by various other documents and instruments (the Notes, the Loan Agreement and such other documents and instruments, together with any amendments thereto, being hereinafter together called the "Loan Documents"), all of which have been reviewed and approved by Participant. All Loan Documents executed and delivered in connection with the Loans shall be held by Lead. Duplicate original counterparts or photocopies of the Loan Documents shall be furnished to Participant promptly following their execution and the completion of all necessary filings of the Loan Documents.

2. **Participation**. Lead hereby sells, and Participant hereby buys, a *pro rata*, undivided participation in the Term Loan and Loan Documents (the "Participation") equal to $20,000,000.00 or 40% of the Term Loan (or 20% of the Loans, in each case as determined prior to any participations in, or assignments of, Lead's rights in the Loan Documents), and such percentage at such time is referred to herein as Participant's "Participation Percentage") which shall entitle Participant: (a) to receive from Lead: (i) Participant's Pro Rata Part (hereinafter defined) of any and all principal payments made by Borrower to Lead under the Loan Documents; (ii) its Pro Rata Part of any and all interest payments made by Borrower to Lead under the Loan Documents, at the rates specified (and as calculated) therein; and (b) to its Pro Rata Part of the rights and benefits of Lead under the Loan Documents; subject, however, to the terms and conditions, if any, set forth with respect to such rights in the Loan Documents. It is further understood and agreed that the rights of Participant to the Participation sold hereunder exist solely as a result of this Agreement or as provided in the Loan Agreement. Except for the obligation of Lead to account for payments received by it or as otherwise specifically provided herein, the sale and purchase of the Participation hereunder shall be without recourse against, or representation or warranty (except as set forth herein in Paragraph 20) by, Lead. Notwithstanding the Participation sold to Participant hereunder, Lead shall remain liable to perform all of its obligations under the Loan Documents. "Pro Rata Part" means an amount or a right, title or interest, determined, at any time, with respect to any other amount, or any other right, title or interest, by multiplying such other amount, or such other right, title or interest, by a fraction, the numerator of which fraction is the aggregate amount of outstanding payments ("Purchase Payments") made by Participant to Lead as Participant's Participation Percentage of outstanding advances under the Term Loan made and Expenses not reimbursed by Borrower paid by Lead and the denominator of which fraction is the aggregate amount of outstanding advances of the Loans, and Expenses and interest rate agreement obligations, if any, not reimbursed by Borrower.

3. **Consideration**. In consideration for the purchase of the Participation: (a) Participant agrees to pay to Lead in immediately available funds, on the date hereof, a Purchase Payment equal to Participant's Participation Percentage of the total advances under the Term Loan made by Lead to Borrower under the Loan Agreement which are outstanding on the date hereof; and (b) Participant agrees to pay to Lead, on the date each advance of the Term Loan is made after the date hereof, a Purchase Payment equal to Participant's Participation Percentage of each such advance. In order to enable Participant to make the payments required by clause (b) above, Lead agrees to give Participant either telephonic (with written verification to immediately follow) or facsimile (with telephonic confirmation of receipt) notice of the maximum amount of each advance of the Term Loan to be made under the Loan Agreement at least one (1) Business Day prior to the advance. The payments required of Participant as set forth in this Paragraph must be made prior to 1:00 p.m., Dallas, Texas time, on the date due by debit to Participant's account with Lead or by transfer of federal funds to Lead, pursuant to the wire instructions set forth on the signature page hereof.

Upon receipt by Lead of each Purchase Payment from Participant, at Participant's request Lead shall execute and send to Participant a Participation Statement (in the form set forth on the attached Exhibit A) to evidence Lead's receipt of such Purchase Payment and the cumulative participation of Participant in advances of the Term Loan.

4. **Partial Payments**. If Borrower makes only a partial principal, interest or fee payment to Lead under the Loan Agreement, Participant, subject to Paragraphs 5 and 6 of this Agreement, shall be entitled to receive an amount equal to the product of (a) Participant's Pro Rata Part, multiplied by (b) the amount of such partial payment.

5. **Payments to Participant**. Participant's share of each interest, principal, or fee payment shall be paid to Participant by transfer of federal funds to Participant, pursuant to the wire instructions set forth on the signature page hereof, (a) on the same day Lead shall have received the applicable payment in good funds from Borrower, provided such payment is received by Lead prior to the applicable time for payment specified in the Loan Agreement or, if no such time is specified, prior to 12:00 noon, Dallas, Texas time, on such day, or (b) on the Business Day next following the day on which Lead receives such payment in good funds, if such payment is received later than such time. As used herein, the term "Business Day" shall mean any day which is not a Saturday, Sunday, or a legal holiday on which banking institutions in the State of Texas are authorized by law to close; provided, however, if the applicable day relates to a determination relative to an London Interbank Offered Rate or Eurodollar Rate, such day shall not include a day in which commercial banks in London, England are closed for international business (including dealings in U.S. dollar deposits). Without limitation of Participant's obligation to pay Expenses (hereinafter defined) as provided in Paragraph 7 hereof, it is agreed that Lead shall be entitled to deduct from Participant's Pro Rata Part of such payments (before remitting any remaining amount of such payments to Participant) Participant's Participation Percentage of each Expense, if any, which has not been paid by Participant to Lead within twenty (20) days after request for payment is made by Lead, regardless of whether Participant disputes its obligation to pay any such Expense, but without prejudice to Participant's rights to recover the amount so deducted if not in fact owed by Participant.

6. **Required Repayments to Borrower; Failure to Fund**. Participant shall repay to Lead any sums paid to Lead by Borrower and distributed by Lead to Participant which Lead shall be required to return to Borrower or to any receiver, trustee, or custodian for Borrower. In the event Participant fails or refuses to make any such payment, to pay its Participation Percentage of each advance of the Term Loan under the Loan Agreement (as required in Paragraph 3 of this Agreement) or to pay its Participation Percentage of Expenses (as required in Paragraph 7 of this Agreement) to Lead (each being a "Defaulted Payment"), then; (a) in addition to any of its rights at law or in equity, Lead shall be entitled, but in no event shall have the obligation to fund such Defaulted Payment and, notwithstanding anything to the contrary herein, for so long thereafter as Participant fails to make such Defaulted Payment to offset the amount of such Defaulted Payment by Lead against Participant's Pro Rata Part of all sums received by Lead under this Agreement (including offset for interest owed by Participant to Lead as provided below) until reimbursed therefor by Participant; and (b) if Participant does not cure its failure to make such Defaulted Payment within five (5) days after notice from Lead (and for so long thereafter as Participant fails to make such Defaulted Payment) Participant shall be deemed to have offered to sell Participant's entire Participation for a sales price equal to the Purchase Payments which have been funded by Participant as of the date of such sale plus any and all unpaid interest thereon and fees in connection therewith in which Participant shares under Paragraph 2 hereof, which offer Lead may, but shall not be obligated to, accept. Furthermore, the unpaid portion of any such amount paid by Lead on behalf of Participant shall be payable by Participant to Lead on demand and shall bear interest for each day from the date of such payment until it is repaid by Participant at the rate borne by advances of the Term Loan as calculated in the Loan Documents, but never in excess of the maximum nonusurious rate permitted by applicable law.

7. **Fees and Expenses**. Participant shall promptly pay its Participation Percentage of the following (each an "Expense"): (a) all expenses reasonably incurred by Lead and deemed by Lead to be in the best interest of Lead and Participant to protect Lead's and Participant's rights and interests hereunder and under the Loan Documents and in the collateral securing the Loans (including, without limitation, property taxes, insurance premiums and other non-discretionary expenses reasonably incurred by Lead in connection with the protection and preservation of the collateral, including those with respect to the operation, management, maintenance, repair, sale and disposition of collateral after acquisition of title thereto by Lead), and all attorneys' fees incurred by Lead in connection therewith, and (b) to the extent consented to by Participant, all other expenses, including, without limitation, attorneys' fees, incurred by Lead in connection with the enforcement of the obligations of Borrower or any Guarantor (hereinafter defined) under any of the Loan Documents, or in connection with any collateral for the Loans. Participant shall be entitled to its Pro Rata Part of (i) any payments subsequently received by Lead with respect to such Expenses and (ii) any such Expenses which Participant has prepaid but which are not actually expended, which Pro Rata Part shall be in the form of a reimbursement or credit, as applicable.

8. **Borrower Information; Independent Credit Analysis**. Lead shall provide to Participant: (a) a set of closing documents (as requested by Participant) for the Loans; (b) a copy of each Financial Statement received by Lead after the date hereof promptly upon the receipt of same by Lead; and (c) a copy of each Draw Request form received by Lead after the date hereof. To the extent not already available to Participant, Lead shall provide Participant and/or make available for Participant's inspection during reasonable business hours and at Participant's expense, upon Participant's written request therefor: (i) copies of the Loan Documents; (ii) such information as is then in Lead's possession in respect of the current status of principal and interest payments and accruals in respect of the Loans; (iii) copies of all current financial statements in respect of Borrower, or any guarantor or other Person liable for payment or performance by Borrower of any obligations under the Loan Documents (herein called a "Guarantor"), then in Lead's possession with respect to the Loans; and (iv) other current factual information then in Lead's possession with respect to the Loans and bearing on the continuing creditworthiness of Borrower or any Guarantor under the Loan Documents; provided that nothing contained in this Paragraph shall impose any liability upon Lead for its failure to provide Participant any of such Loan Documents, information, or financial statements, **INCLUDING ANY FAILURE CONSTITUTING IN WHOLE OR PART LEAD'S STRICT LIABILITY, OR COMPARATIVE, CONTRIBUTORY OR SOLE NEGLIGENCE**, unless such failure constitutes willful misconduct or gross negligence on Lead's part; and provided, further, that Lead shall not be obligated to provide Participant with any information in violation of law or any contractual restrictions on the disclosure thereof (provided such contractual restrictions shall not apply to distributing to Participant factual and financial information required to be provided under the Loan Documents). Participant hereby acknowledges, agrees, and represents: (a) that Participant has conducted or shall conduct an independent credit analysis of Borrower, and each Guarantor and an investigation or assessment of risk with respect to the Loans to satisfy itself that the Participation is a credit which Participant would make directly; (b) that Lead has not provided to Participant, and Participant has not relied on or used in any other way, any credit analysis of Borrower, or any Guarantor prepared by Lead or an investigation or assessment of risk with respect to the Loans prepared by Lead; (c) that any information provided to Participant by Lead regarding the Loan, Borrower, any Guarantor or any collateral for the Loans is provided without any warranty or representation, express or implied, as to its accuracy or completeness and is subject to independent verification by Participant; and (d) that Participant has independently and without reliance upon Lead or any other Person, and based upon such documents and information as Participant has deemed appropriate, made its own decision to enter into this Agreement.

9. **Participant's Ability to Enforce the Loan Documents**. Participant hereby agrees that it shall not have any right or responsibility to enforce the obligations of Borrower or any other party under the Loan Documents, and except as expressly provided herein to the contrary, all rights pursuant to the Loan Documents (or otherwise) of Lead to secure or enforce payment of the obligations of Borrower, or any Guarantor under the Loan Documents shall be so held (and such rights shall be exercised solely by and at the option of Lead) for the pro rata benefit of Lead and Participant (collectively, "Lenders").

10. **Other Financings**. Without limiting rights to which Participant otherwise is or may become entitled, Participant shall have no interest, by virtue of this Agreement and Participant's rights hereunder, in (a) any present or future loans from, letters of credit (other than those issued pursuant to the Loan Agreement) issued by, or leasing, other financing or capital markets transactions by, Lead or any parent, subsidiary or affiliate of Lead to, on behalf of, or with Borrower, any Guarantor or any partner, parent, subsidiary or other affiliate of any of them (collectively referred to herein as the "Other Financings"), other than the Loans in which Participant participates hereunder; (b) any present or future guaranties by or for the account of Borrower which are not contemplated by the Loan Documents; (c) any present or future offset exercised by Lead in respect of such Other Financings, except to the extent such present or future offset is also exercised in respect of the Loan; (d) any present or future property taken as security for any such Other Financings, except to the extent such present or future property is also taken as security for the Loans; or (e) any property now or hereafter in the possession or control of Lead which may be or become security for the obligations of Borrower arising under any Loan Document by reason of the general description of indebtedness secured or of property contained in any other agreements, documents, or instruments related to any such Other Financings; provided that, if payments in respect of such guaranties or such property or the proceeds thereof shall be applied to the obligations of Borrower arising in respect of an advance of the Loans in which Participant participates hereunder, then Participant shall be entitled to share in such application as set forth in Paragraph 2 herein.

11. **Performance through Representatives**. Lead may perform any of its duties hereunder by or through officers, directors, employees, attorneys, or agents (collectively, "Representatives"), and Lead and its Representatives shall be entitled to rely, and shall be fully protected in relying, upon any communication or document believed by it or them to be genuine and correct and to have been signed or made by the proper Person and, with respect to legal matters, upon the opinion of counsel selected by Lead.

12. **Duty of Care**. Neither Lead nor its parent, subsidiaries or affiliates, nor any of their Representatives, nor owners shall be liable for any action taken or omitted to be taken by it or them under this Agreement, any Loan Document or Other Financings in good faith and believed by it or them to be within the discretion or power conferred upon it or them by this Agreement, any Loan Document or any Other Financing agreement, or be responsible for the consequences of any error of judgment, **INCLUDING IN WHOLE OR PART FOR LEAD'S STRICT LIABILITY, OR COMPARATIVE, CONTRIBUTORY OR SOLE NEGLIGENCE**, except for actions taken or omitted to have been taken by them which constitute willful misconduct or gross negligence. Lead will exercise the same care in administering the Loan Documents as it exercises with respect to similar transactions entered into solely for its own account, including, but not limited to, the taking of such action as is appropriate to maintain the perfection and priority of the liens, mortgages and security interests granted by Borrower to Lead in any of the Loan Documents, and shall otherwise have no liability or responsibility to Participant, **INCLUDING IN WHOLE OR PART FOR LEAD'S STRICT LIABILITY, OR COMPARATIVE, CONTRIBUTORY OR SOLE NEGLIGENCE,** except for actions taken or omitted to be taken by Lead which constitute willful misconduct or gross negligence. Unless indemnified to the satisfaction of Lead against loss, cost, liability, and expense, Lead shall be under no duty to enforce any rights, remedies, powers, or privileges with respect to any of the obligations of Borrower under any of the Loan Documents and shall not be compelled to do any act hereunder or thereunder or to take any action toward the exercise or enforcement of the powers created by this Agreement or any Loan Document, or to prosecute or defend any suit in respect thereof. Lead shall not be responsible in any manner to Participant for: (a) the effectiveness, enforceability, genuineness, validity, or, except with respect to this Agreement, due execution of this Agreement, any of the Loan Documents, or any other documents, agreements, or instruments; (b) any representation, warranty, document, certificate, report, or statement therein made or furnished under or in connection with any of the Loan Documents; (c) the adequacy of collateral for the obligations of Borrower, or any Guarantor under any of the Loan Documents; (d) the existence, priority, or perfection of any lien or security interest granted or purported to be granted in connection with any of the Loan Documents; or (e) the observation of or compliance with any of the terms, covenants, or conditions of the Loan Documents on the part of Borrower or any Guarantor.

13. **Not a Loan; No Duty to Repurchase the Participation**. No amount paid by Participant to purchase the Participation shall be considered a loan by Participant to Lead. Lead shall have no obligation to repurchase the Participation upon any default by Borrower under any of the Loan Documents or in any other event whatsoever.

14. **Right to Purchase**. Lead shall have the right, but is not obligated, on five (5) days' prior written notice, to purchase Participant's Participation by paying to Participant an amount equal to its Participation Percentage of the unpaid principal and accrued interest on the Loans and, upon such payment, this Agreement shall be terminated and Participant shall have no further interest in the Loans or in any of the Loan Documents, and will release Lead from any obligations to Participant if any exist under the terms of this Agreement.

15. **Amendments, Waivers, etc**. Lead may enter into any amendment or modification of, or may waive compliance with the terms of, any Loan Document without the consent of Participant; provided that, unless Lead is authorized to offset under Paragraph 6 of this Agreement the consent of Participant (which consent shall not unreasonably be withheld or delayed) shall be required before Lead may take or omit to take any action under any of the Loan Documents which would result in the following (each a "Material Change"): (a) reduce or increase the amounts of principal or interest payments under either Loan; (b) reduce or increase any interest rate under either Loan in which Participant shares under Paragraph 2 hereof; (c) postpone any due date for payment of principal or interest under either Loan in which Participant shares under Paragraph 2 hereof, including, without limitation, the final maturity date of either Loan; (d) release or subordinate any existing collateral described in the Loan Documents; (e) release the liability of Borrower or any existing Guarantor; or (f) permit the sale, transfer, pledge, mortgage or assignment of (i) any collateral for the Loans or (ii) any direct or indirect interest in Borrower, except such action as expressly permitted under the Loan Documents or in connection with the exercise of Lead's rights and remedies under the Loan Documents; provided, however, that Participant shall be deemed to have consented to any Material Change described in clauses (a), (b), (c), (d), (e) or (f) immediately above if Participant has not objected thereto in writing within ten (10) Business Days after Lead has notified Participant thereof in writing. If Participant is unwilling to consent to any amendment or modification of, or waiver of compliance with, the Loan Agreement or any other Loan Document (where the consent of Participant is required), Participant shall be deemed to have offered to sell to Lead Participant's Participation at such time for a sales price equal to Participant's Purchase Payments which have been funded by Participant as of the date of such sale plus any and all unpaid interest thereon and fees in connection therewith in which Participant shares under Paragraph 2 hereof. Lead shall have the right, but not the obligation, to accept such offer and shall be entitled to deduct from such sales price the amount, if any, equal to Participant's Participation Percentage of each Expense which has not been paid by Participant to Lead. As set forth in Paragraph 9 and subject to Paragraphs 15 and 16 hereof, Lead shall be entitled, at its option, and without the consent of Participant from time to time and at any time, to exercise any rights or remedies under or in respect of any Loan Document, or refrain from exercising any such right or remedy, upon the occurrence of a default under the Loan Documents or at any other time.

16. **Notice of Default; Advances After Default**. Unless Lead is authorized to offset under Paragraph 6 of this Agreement Lead will, with reasonable promptness, notify Participant of any material default with respect to either Loan of which it is actually aware and of any other matters which, in its judgment, materially affect the interest of Participant in respect of the Loans (collectively, a "Material Default"), but Lead will not in any event **(INCLUDING IN WHOLE OR PART FOR LEAD'S STRICT LIABILITY, OR COMPARATIVE, CONTRIBUTORY OR SOLE NEGLIGENCE**, except for gross negligence or willful misconduct) be liable to Participant for Lead's failure to do so. Without the prior written consent of Participant (which consent shall not unreasonably be withheld or delayed), unless Lead is authorized to offset under Paragraph 6 of this Agreement, Lead shall not make any advances to Borrower under the Loans after the occurrence of a Material Default or an unconsented Material Change, except advances deemed by Lead to be in the best interests of Lead and Participant to protect Lead's and Participant's rights and interests hereunder and under the Loan Documents and in the collateral securing the Loans (including, without limitation, completion of the collateral, property taxes, insurance premiums and other non-discretionary expenses incurred by Lead in connection with the protection and preservation of the Property), and all attorneys' fees incurred by Lead in connection therewith.

17. **Foreclosure; Acquisition of Title.** Without the prior written consent of Participant (which consent shall not unreasonably be withheld or delayed), unless Lead is authorized to offset under Paragraph 6 of this Agreement, Lead shall not consummate a foreclosure sale of any of the collateral for the Loans or take title to any of the collateral for the Loans by any other means; provided, however, that the consent of Participant shall not be required in connection with any action on the part of Lead in preparation for any such foreclosure sale or other means of taking title, including, without limitation, (a) giving any notice of default, intent to accelerate or acceleration, (b) accelerating either Loan, or (c) giving any notice of any such foreclosure sale or other means of taking title, including without limitation commencing a judicial action.

If foreclosure of any of the collateral for the Loans occurs, then after all expenses of foreclosure and collection are paid, and subject to Lead's right of offset under Paragraph 6 hereof, if applicable, Lead shall promptly remit to Participant its Pro Rata Part of all net collections respecting such collateral which are received by Lead as a consequence of such foreclosure.

In the event that Lead shall have acquired title to any of the collateral by foreclosure or otherwise, that title shall be held in Lead's name or in the name of a nominee acceptable to Lead, but Lead or such nominee shall hold such title for the undivided benefit and protection of Participant (to the extent of Participant's Pro Rata Part) and Lead. If such title is taken, Lead and Participant respectively waive any statutory or common law right of partition or any other similar rights or remedies, and unless Lead is authorized to offset under Paragraph 6 of this Agreement Lead shall make reasonable efforts to consult with Participant as to the best manner in which to proceed with respect to the operation, management, improvement, maintenance, repair, sale and disposition of such collateral but the decision of Lead shall control. Lead shall retain in its capacity as lead lender and servicer, all rights with respect to the operation, management, maintenance, improvement and repair of such collateral pending the disposition thereof. Participant agrees to promptly execute and deliver to Lead all documents which Lead may reasonably request to enable or facilitate the exercise of such rights with respect to such collateral and to effect a disposition thereof.

18. **Sale After Foreclosure or Acquisition of Title**. Without the prior written consent of Participant (which consent shall not unreasonably be withheld or delayed), unless Lead is authorized to offset under Paragraph 6 of this Agreement, Lead shall not consummate any sale or disposition of such collateral after foreclosure or other means of acquisition of title if in connection therewith (a) a purchase money obligation and mortgage instrument or security interest shall be taken as the entire or partial payment for the sale of any of such collateral, or (b) Participant shall not receive payment in full; it being understood that the consent of Participant shall not be required if Lead is authorized to offset under Paragraph 6 of this Agreement, or upon consummation of any such sale or disposition, Participant shall receive the minimum payment set forth above. If a purchase money obligation and mortgage instrument or security interest shall be taken in partial payment for the sale of any of the collateral acquired by Lead or its nominee, Participant agrees to enter into an agreement with respect to that obligation and mortgage instrument or security interest, defining Participant's rights in the same in accordance with Participant's Pro Rata Part and this Agreement, which agreement shall be in all material respects similar to this Agreement, to the extent this Agreement is appropriate or applicable. In the absence of such an agreement, the obligation and mortgage instrument or security interest shall be held by the mortgagee or security interest holder for the ratable benefit of Participant and shall be subject to the terms of this Agreement to the extent applicable.

If Lead receives a purchase offer for collateral for the Loans which requires Participant's consent, but for which Participant does not consent within ten (10) Business Days after notification from Lead, Lead may offer ("Purchase Offer") to purchase all of Participant's right, title and interest in the collateral for a purchase price equal to Participant's Pro Rata Part of the net proceeds anticipated from such sale of such collateral (as reasonably determined by Lead, including the undiscounted face principal amount of any purchase money obligation not payable at closing) ("Net Proceeds"). Within ten (10) Business Days thereafter Participant shall be deemed to have accepted such Purchase Offer unless Participant notifies Lead that it elects to purchase all of Lead's right, title and interest in the collateral for a purchase price payable by Participant in an amount equal to the Net Proceeds less Participant's Pro Rata Part of the Net Proceeds, in which event Lead shall assign all of its rights and obligations under the Purchase Offer to Participant. Any amount payable hereunder by Participant or Lead shall be due on the earlier to occur of the closing of the sale of the collateral or 30 days after the Purchase Offer, regardless of whether the collateral has been sold.

19. **Participant's Representations**. Participant represents and warrants to Lead that: (a) Participant is purchasing the Participation hereunder for its own account in respect of a commercial transaction made in the ordinary course of its business and not with a view to or in connection with any subdivision, resale, or distribution thereof; (b) Participant is engaged in the business of entering into commercial lending transactions (including transactions of the nature contemplated herein) and can bear the economic risk related to the purchase of the same; and (c) Participant does not consider the acquisition of the Participation hereunder to constitute the "purchase" or "sale" of a "security" within the meaning of any federal or state securities statute or law, or any rule or regulation under any of the foregoing.

20. **Lead's Representations**. Lead represents and warrants to Participant that, as of the date hereof, (a) no default in the payment of principal or interest on the Loans has occurred and remains uncured under the Loan Documents; (b) Participant is being requested to advance no more than its Participation Percentage of the current outstanding principal balance of the Loan; (c) Lead has not previously assigned or participated the Loans to a third party except as previously disclosed to Participant; (d) Lead is the owner of the Loans and has the right to sell the Participation to Participant; and (e) Lead does not consider the sale of the Participation hereunder to constitute the "purchase" or "sale" of a "security" within the meaning of any federal or state securities statute or law, or any rule or regulation under any of the foregoing.

21. **Additional Participations**. Without the prior written consent of Participant, Lead may grant additional participations (other than the Participation) in, or assignments of, the rights and obligations of Lead under the Loan Documents. Without the prior written consent of Lead, the Participation may not be subdivided or transferred in any way by Participant and Participant may not grant participations in the Participation.

22. **Withholding Taxes**. If Lead shall be required by law to deduct and withhold taxes or other charges imposed by any jurisdiction ("Taxes") from any amounts payable to Participant with respect to the Loans because Participant is a Non-Exempt Person (hereinafter defined), Lead shall be entitled to do so with respect to Participant's interest in such payment (all withheld amounts being deemed paid to Participant). A "Non- Exempt Person" is any Person other than a Person who either (a) is a United States Person or (b) has on file with Lead for the year involved such duly-executed form(s) or statements which may, from time to time, be prescribed by law and which, pursuant to applicable provisions of (i) an income tax treaty between the United States and the country of residence of such Person, (ii) the United States Internal Revenue Code of 1986, as amended and as such may hereafter be amended, or (iii) any applicable rules or regulations in effect under (i) or (ii) above, permit Lead to make such payments free of any obligation or liability for withholding. Participant agrees to indemnify Lead against and to hold Lead harmless from any Taxes, interest, penalties and reasonable attorneys' fees arising from any failure of Lead to withhold Taxes from payments made to Participant in reliance upon any representation or document made or provided by Participant to Lead, it being agreed that (x) Lead shall be absolutely and unconditionally entitled to accept any such representation or document as being true and correct in all respects and to fully rely thereon without any obligation or responsibility to investigate the same, and (y) Participant shall, upon request of Lead and at Participant's sole cost and expense, defend any claim relating to the foregoing indemnification, by counsel selected by Participant and reasonably satisfactory to Lead. Participant represents to Lead that Participant is not a Non-Exempt Person and that Lead is not obligated under applicable law to withhold Taxes on any sums paid to Participant pursuant to this Agreement. Contemporaneously with the execution of this Agreement, and from time to time as necessary during the term of this Agreement, Participant shall deliver to Lead evidence reasonably satisfactory to Lead substantiating that Participant is not a Non-Exempt Person and that Lead is not obligated under applicable law to withhold Taxes on sums paid to it with respect to the Loans or otherwise.

23. **No Reliance by Others**. None of the provisions of this Agreement shall inure to the benefit of Borrower or any Person other than Lenders; consequently, Borrower shall not be, and no Person other than Lenders shall be, entitled to rely upon or raise as a claim or defense, in any manner whatsoever, the failure of either Lender to comply with the provisions of this Agreement. Neither Lender shall incur any liability to Borrower or any other Person for any act or omission of the other Lender.

24. **Not a Partnership**. Neither the execution of this Agreement, the sharing in the Loan Documents, nor any agreement to share in profits or losses arising as a result of the transactions contemplated hereby is intended to be or to create, and the foregoing shall be construed not to be or to create, any partnership, joint venture, or other joint enterprise between Lenders; and neither the execution of this Agreement, nor the management and administration of the Loan Documents and the related documents by Lead, nor any other right, duty or obligation of Lead under or pursuant to this Agreement is intended to be or create any express, implied or constructive trust or other fiduciary relationship between Lead and Participant.

25. **Waivers**. No delay or omission by any party to exercise any right under this Agreement shall impair any such right, nor shall it be construed to be a waiver thereof. No waiver of any single breach or default under this Agreement shall be deemed a waiver of any other breach or default. Any waiver, consent, or approval under this Agreement must be in writing to be effective.

26. **Recovery of Costs**. In the event of any action to enforce the provisions of this Agreement against a party hereto, the prevailing party shall be entitled to recover all costs and expenses incurred in connection therewith including, without limitation, reasonable attorneys' fees and expenses.

27. **Illegality**. The illegality or unenforceability of any provision of this Agreement shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement.

28. **Notices**. Except as otherwise provided to the contrary in this Agreement, any notice, consent, approval, direction, authorization, request or demand required or which any party desires to give to another party under this Agreement, must be in writing (including facsimile, telegram or telex) to be effective and shall be deemed to have been given when actually received or, if sent by facsimile, upon telephonic confirmation of receipt or, if mailed, on the third Business Day after it is enclosed in an envelope addressed to the party to be notified at the address stated opposite its signature below (or at such other address as may have been designated by written notice), properly stamped, sealed, and deposited in the appropriate official postal service. Notwithstanding the foregoing, no notice of change of address shall be effective except upon receipt. This Paragraph shall not be construed in any way to require giving of notice or demand to or upon any Person in any situation or for any reason. If Participant does not notify or inform Lead of whether or not it consents to, or approves of or agrees to any matter of any nature whatsoever with respect to which its consent, approval or agreement is required under the express provisions of this Agreement or with respect to which its consent, approval or agreement is otherwise requested by Lead, in connection with the Loans or any matter pertaining to the Loan, within ten (10) Business Days (or such longer period as may be specified by Lead) after such consent, approval or agreement is requested by Lead, Participant shall be deemed to have given its consent, approval or agreement, as the case may be, with respect to the matter in question.

29. **Construction**. Whenever in this Agreement the singular number is used, the same shall include the plural where appropriate, and vice versa; and words of any gender in this Agreement shall include each other gender where appropriate.

30. **Governing Law**. THIS AGREEMENT IS PERFORMABLE IN THE COUNTY WHERE LEAD IS LOCATED PURSUANT TO LEAD'S ADDRESS BELOW, AND THE LAWS OF THE STATE WHERE LEAD IS LOCATED PURSUANT TO LEAD'S ADDRESS BELOW AND OF THE UNITED STATES OF AMERICA SHALL GOVERN THE RIGHTS AND DUTIES OF THE PARTIES HERETO AND THE VALIDITY, CONSTRUCTION, ENFORCEMENT, AND INTERPRETATION HEREOF.

31. **Counterparts/Facsimile**. This Agreement and all amendments hereto may be executed in any number of original counterparts, each of which when so executed and delivered shall be an original, and all of which, collectively, shall constitute one and the same agreement, it being understood and agreed that the signature pages may be detached from one or more counterparts and combined with the signature pages from any other counterpart in order that one or more fully executed originals may be assembled. In addition, due execution of this Agreement by any party may be evidenced by a facsimile copy hereof reflecting the signature of such party; provided, however, that such party shall forward to the other parties via overnight courier an executed counterpart of this Agreement bearing its ink original signature.

32. **Successors and Assigns**. Subject to Paragraph 20, the provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

33. **Entire Agreement**. This Agreement embodies the entire agreement between the parties, supersedes all prior agreements and understandings between such parties, if any, relating to the subject matter hereof, and may be amended only by an instrument in writing executed jointly by an authorized officer of each party hereto. Participant disclaims that it is relying upon or relied upon any alleged representations or warranties made by Lead, and acknowledges and agrees that Lead has specifically disclaimed and does hereby disclaim any such representations and warranties not contained herein.

34. **Participation**. Lead and Participant and their respective counsel participated in the preparation of this Agreement. In the event of any ambiguity in this Agreement, no presumption shall arise based on the identity of the draftsman of this Agreement.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective, duly authorized officers, as of the date first above written.

LEAD:

PROSPERITY BANK,
a Texas banking association

By: /s/ Todd Coultas
Todd Coultas, Vice President

Address:
Prosperity Bank
5851 Legacy Circle, Suite 1200
Plano, Texas 75024
Attention: Todd Coultas
Telephone No.: (972) 461-4837
Email: Todd.Coultas@legacytexas.com

Wire Instructions:
Prosperity Bank
ABA No.:
Account:
Reference:
Notes No.:
Attention:

PARTICIPANT:

FIRST FOUNDATION BANK

By: /s/ Michael S. Berry
Name: Michael S. Berry
Title: SVP, Corporate Banking Director

Address:
First Foundation Bank
18101 Von Karman Ave., Suite 750
Irvine, California 92612
Attn: Loan Servicing Department
Telephone No.: (949) 202-4103
Email: loanservice@ff-inc.com

Wire Instructions:
First Foundation Bank
ABA No.: 122287581
Account: Loan No. 60152800
Reference: Houston International Insurance Group, Ltd.
Notes No.:
Attention: Loan Servicing Department

Exhibit A

Participation Statement

LEGACYTEXAS

Types of Advance

P.O. Box 869105, Plano, TX 75086-9105
972.578.5000 / 800.578.9009

Borrower:	Houston International Insurance Group Ltd.
Loan Number:	XXXXXX4922
Date:	12/11/2019
Global Facility Amount:	$ 50,000,000.00

FIRST FINANCIAL BANK, N.A
ATTN: NICOLE HERNANDEZ
2233 DOUGLAS BLVD.
ROSEVILLE, CA 95661
PHONE: 510-250-8135
FAX: 510-250-8144
EMAIL: nhernandez@ff-inc.com; sqomes@ff-inc.com

Transaction Activity

Effective Date	Global Advance	First Foundation Bank	Transaction Description	Amount
12-11-2019	$ 50,000,000.00	40.00%	Advance	$ 20,000,000.00

INDEX TYPE	LIBOR
Value	1.715130%
Margin	1.650000%
All in Rate	3.365130%

LegacyTexas Wiring Instructions:
Address: 2101 Custer Rd, Plano, TX 75075
ABA Number: 111901234
Account Name: Participations Payable
Account Number: 260980
Attention: Corporate Administration
Reference: Houston International Insruance Group Ltd.

If you have any questions about this loan, please call Kristin Cormier 972-509-2020 ext 63611.

CREDIT AGREEMENT

BETWEEN

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.,
AS BORROWER,

AND

PROSPERITY BANK,
AS LENDER

DECEMBER 11, 2019

TABLE OF CONTENTS

EXHIBITS AND SCHEDULES

CREDIT AGREEMENT

THIS CREDIT AGREEMENT is dated as of December 11, 2019 (this agreement, together with all amendments and restatements hereto, this "*Agreement*"), between HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation ("*Borrower*"), and PROSPERITY BANK, a Texas banking association ("*Lender*").

BACKGROUND

Borrower has requested that Lender make a term loan credit facility and a revolving credit facility available to Borrower. Lender has agreed to do so, subject to the terms and conditions of this Agreement.

AGREEMENT

In consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, receipt of which is acknowledged by all parties hereto, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

1.1 *Definitions*. For purposes of this Agreement:

"*2006 Debentures*" means the $59,794,000 aggregate principal amount of Fixed/Floating Rate Junior Subordinated Deferrable Interest Debentures due September 15, 2036, issued by Borrower to HCT.

"*2006 Documents*" means any equity security of HCT, any 2006 Debenture, any 2006 Preferred Security, the 2006 Indenture, the HCT Declaration of Trust, the 2006 Guaranty, any document evidencing or governing any equity or Debt of HCT and all other documents and instruments executed and delivered by Borrower or HCT in connection with any of the foregoing.

"*2006 Guaranty*" means the Guarantee Agreement dated August 2, 2006, made by Borrower in favor of Wilmington Trust Company, as Guarantee Trustee, together with all amendments and restatements.

"*2006 Indenture*" means the Indenture dated August 2, 2006, between Borrower and Wilmington Trust Company, as Trustee, together with all amendments and restatements.

"*2006 Preferred Securities*" means the $58,000,000 Fixed/Floating Rate Capital Securities issued by HCT.

"*2019-1 Notes*" means the notes issued by Borrower pursuant to the Subordinated Note Purchase Agreement dated as of May 24, 2019, between Borrower and EJF Portfolio Vehicle I LLC.

"*2019 -1 Notes Blockage Notice*" means a notice from Lender to Borrower stating either or both of the following: a default in any payment with respect to any Obligations has occurred, or an Event of Default exists and as a result thereof, the payment or performance of all or any of the Obligations has been accelerated.

"*Accounting Principles*" means either (a) the accounting methodology used by Borrower on the Agreement Date, which methodology (and assumptions used with respect thereto) shall be acceptable to Lender, or (b) GAAP, each consistently applied and in accordance with past practices.

"*Adjustment Date*" means, with respect to a Eurodollar Rate Loan, the date two (2) Texas Business Days before the first day of the applicable Interest Period.

"*Affiliate*" means any Person that directly, or indirectly, through one or more intermediaries, Controls or is Controlled By or is Under Common Control with any other Person.

"*Agreement Date*" means the date of this Agreement.

"*Applicable Law*" (a) in respect of any Person, means all provisions of Laws and orders of Governmental Authorities applicable to such Person and its properties, including, without limiting the foregoing, all orders and decrees of all Governmental Authorities and arbitrators in proceedings or actions to which the Person in question is a party, and (b) in respect of contracts relating to interest or finance charges that are made or performed in the State of Texas, means the Laws of the United States of America, including without limitation 12 U.S.C. §§ 85 and 86, and any other statute of the United States of America now or at any time hereafter prescribing the maximum rates of interest on loans and extensions of credit, and the Laws of the State of Texas, and any other Laws of the State of Texas now or at any time hereafter prescribing maximum rates of interest on loans and extensions of credit.

"*Applicable Margin*" means one and sixty-five hundredths percent (1.65%).

"*A.M. Best Rating*" means the rating published from time to time by the A.M. Best Company, Inc. or its Affiliate.

"*Attorney Costs*" means and includes all reasonable fees, expenses and disbursements of any law firm or other external counsel.

"*Attributable Indebtedness*" means, on any date, (a) in respect of any Capital Lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with Accounting Principles, and (b) in respect of any Synthetic Lease Obligation, the capitalized amount of the remaining lease or similar payments under the relevant lease or other applicable agreement or instrument that would appear on a balance sheet of such Person prepared as of such date in accordance with Accounting Principles if such lease or other agreement or instrument were accounted for as a Capital Lease.

"*Auditors*" means any independent certified public accountants selected by Borrower and reasonably acceptable to Lender.

"*Authorized Control Level*" means "Authorized Control Level" as defined by NAIC from time to time and as applied in the context of the Risk Based Capital Guidelines promulgated by NAIC (or any term substituted therefor by NAIC).

"*Authorized Signatory*" means, with respect to a Person, such senior personnel of such Person as may be duly authorized and designated in writing by such Person to execute documents, agreements and instruments on behalf of such Person.

"*Bank Liens*" means all Liens granted by Borrower and any other Person in favor of or for the benefit of Lender pursuant to the Loan Documents, securing all or any of the Secured Obligations, including, but not limited to, Liens on any Collateral created in favor of or for the benefit of Lender, whether by mortgage, pledge, hypothecation, assignment, transfer, or other granting or creation of Liens.

"*Borrower Group*" means Borrower, any other Obligor, any Subsidiary and/or any subsidiaries of any of the foregoing.

"*Borrower Pledge Agreement*" means a Pledge Agreement substantially in the form of Exhibit B.

"*Borrower Security Agreement*" means a Security Agreement substantially in the form of Exhibit C.

"*Business Day*" means (a) any day other than a Saturday, Sunday, or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the State of Texas (each such day, a "*Texas Business Day*") or the State of New York, and (b) if such day relates to any Eurodollar Rate Loan as to which the Eurodollar Basis was determined as provided in clause (b) of the definition of Eurodollar Basis, any such day on which dealings in Dollar deposits are conducted by and between banks in the applicable offshore Dollar interbank market.

"*Capital Leases*" means any lease or sublease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of the lessee or sublessee, as applicable, under Accounting Principles, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with Accounting Principles.

"*Cash Capex*" means any capital expenditure (determined in accordance with Accounting Principles) the source of funds for which was not or is not proceeds of any Debt (whether or not subordinate to any other obligation of any Person) or any equity issuance.

"*Cash Collateralize*" means to pledge and deposit with or deliver to Lender, as collateral for Letter of Credit Liabilities, cash or deposit account balances or, if Lender shall agree in its sole discretion, other credit support, in each case pursuant to documentation in form and substance and in an amount satisfactory to Lender (not to exceed 110% of the underlying Letter of Credit Liabilities).

"*Cash Collateral*" shall have a meaning correlative to the foregoing definition and shall include the proceeds of such cash collateral and other credit support.

"*Cash Management Agreement*" means any agreement between or among any Obligor and/or any Subsidiary of any Obligor and Lender and/or any Affiliate of Lender related to treasury management, deposit accounts, cash management, custodial services, automated clearinghouse, funds transfer, overdraft, or credit or debit card services (including p-cards, purchasing cards and commercial cards) or arrangements, zero balance accounts, returned check concentration, controlled disbursement, lockbox, account reconciliation, trade finance services or similar services or arrangements.

"*Cash Management Obligations*" means all obligations and liabilities of any Obligor or any Subsidiary of any Obligor owed to Lender or any Affiliate of Lender arising under or in connection with any Cash Management Agreement.

"*Change in Law*" means the occurrence, after the Agreement Date, of any of the following or compliance with any of the following: (a) the adoption or taking effect of any Law, rule, regulation or treaty, (b) any change in any Law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; *provided* that, notwithstanding anything herein to the contrary, (i) the Dodd Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law," regardless of the date enacted, adopted, implemented or issued.

"*Change of Control*" means (a) an event or series of events by which during any period of twelve (12) consecutive months, a majority of the members of the board of directors or other equivalent governing body of Borrower cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, or (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) constituting at the time of such election or nomination at least a majority of that board or equivalent governing body, or (b) any Person or Persons (other than any Person beneficially and indirectly owning any Equity Interest in Borrower on the Agreement Date), shall individually or collectively become the legal or beneficial owner or owners of Equity Interests representing more than fifty percent of the aggregate ordinary voting power represented by the issued and outstanding Equity Interests of Borrower.

"*Code*" means the Internal Revenue Code of 1986.

"*Collateral*" means any assets of any Person in which at any time Lender, or another Person acting for the benefit of Lender, shall be granted a Bank Lien to secure the Secured Obligations.

"*Commodity Exchange Act*" means the Commodity Exchange Act (7 U.S.C. § 1 *et seq.*), as amended from time to time, and any successor statute.

"*Compliance Certificate*" means a compliance certificate, substantially in the form of Exhibit D.

"*Contingent Debt*" means, for any Person:

(a) Guarantees, endorsements (other than endorsements of negotiable instruments for collection in the ordinary course of business) and other contingent liabilities (whether direct or indirect) in connection with the obligations of any other Person;

(b) obligations under any contract providing for the making of loans, advances or capital contributions to any other Person, or for the purchase of any property from any other Person, in each case in order to enable such other Person primarily to maintain working capital, net worth or any other balance sheet condition or to pay Debts, Dividends or expenses;

(c) obligations under any contract to rent or lease (as lessee) any real or personal property (other than operating leases) if such contract (or any related document) provides that the obligation to make payments thereunder is absolute and unconditional under conditions not customarily found in commercial leases then in general use or requires that the lessee purchase or otherwise acquire securities or obligations of the lessor;

(d) obligations to purchase, redeem, retire, defease or otherwise make any payment in respect of any Equity Interest in such Person or any other Person, valued, in the case of a redeemable preferred interest, at the greater of its voluntary or involuntary liquidation preference *plus* accrued and unpaid dividends;

(e) obligations of such Person arising under letters of credit (including standby and commercial), bankers' acceptances, bank guaranties, surety bonds and similar agreements; and

(f) all obligations under any other contract which, in economic effect, is substantially equivalent to a guaranty, including but not limited to "keepwell" or "capital maintenance" agreements.

"*Control*" or "*Controlled By*" or "*Under Common Control*" means possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of voting securities, by contract or otherwise); *provided* that, in any event any Person which beneficially owns, directly or indirectly, 50% or more (in number of votes) of the securities having ordinary voting power for the election of directors of a corporation or managers of a limited liability company or other governance board of an entity shall be conclusively presumed to control such corporation, limited liability company or other entity.

"*Current Financials*" means the most recent annual Financial Statements of Borrower, Guarantor or any Subsidiary.

"*Debt*" means, at any time, for any Person, all of the following (without duplication), whether or not included as indebtedness or liabilities in accordance with Accounting Principles:

(a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments (including obligations with respect to the deferred purchase price of property);

(b) the maximum amount of all direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), bankers' acceptances, bank guaranties, surety bonds and similar agreements;

(c) net obligations of such Person under any Swap Contract;

(d) Contingent Debt;

(e) all obligations (including, without limitation, earnout obligations) of such Person to pay the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business and not past due for more than sixty (60) days after the date on which such trade account was created);

(f) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;

(g) all liabilities in respect of unfunded vested benefits under any Plans;

(h) all Attributable Indebtedness in respect of Capital Leases and Synthetic Lease Obligations of such Person;

(i) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any Equity Interest in such Person or any other Person or any warrant, right or option to acquire such Equity Interest, valued, in the case of a redeemable preferred interest, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends; and

(j) all Guarantees of such Person in respect of any of the foregoing.

For all purposes hereof, the Debt of any Person shall include the Debt (without duplication) of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Debt is expressly made non-recourse to such Person. The amount of any net obligation under any Swap Contract on any date shall be deemed to be the Swap Termination Value thereof as of such date.

"*Debtor Relief Laws*" means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect.

"*Default*" means any of the events specified in Section 9.1 that would, with the giving of notice or the passage of time, or the happening of any further specified condition, event or act, become an Event of Default.

"*Default Rate*" means a per annum interest rate equal to the sum of (a) the Prime Rate *plus* (b) 3.00%.

"*Designated Jurisdiction*" means any country or territory to the extent that such country or territory is the subject of any Sanction.

"*Disposition*" and "*Dispose*" mean any sale, lease, abandonment, transfer, disposal, exchange or other transfer of any ownership or leasehold interest in or control of any asset.

"Disqualified Equity Interest" means any capital stock or other equity interest of Borrower that, by its terms (or by the terms of any security or other capital stock or other equity interest into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition (a) matures or is mandatorily redeemable (other than solely for Qualified Equity Interests), pursuant to a sinking fund obligation or otherwise, (b) is redeemable at the option of the holder thereof (other than solely for Qualified Equity Interest), in whole or in part, (c) provides for the scheduled payments of dividends in cash, or (d) is or becomes convertible into or exchangeable for Debt or any other capital stock or other equity interest of Borrower that would constitute Disqualified Equity Interests, in each case, prior to the date that is ninety-one days after the last to occur of the Revolving Loan Maturity Date and the Term Loan Maturity Date.

"*Dividends*" means, with respect to any Person, (a) any dividend on any class of its Equity Interests now or hereafter outstanding, (b) any distribution of cash or property by such Person to or for the benefit of owners of any of such Person's Equity Interests, (c) any retirement, redemption, purchase or other acquisition by such Person, directly or indirectly, of any of such Person's Equity Interests now or hereafter outstanding, (d) the establishment by such Person of a sinking fund or similar arrangement with respect to such Person's Equity Interests, or (e) any transaction that has a substantially similar effect as any of clauses (a) – (d).

"*Dollars*" and the sign "*$*" mean lawful money of the United States of America.

"*EBITDA*" means the sum of (a) the lesser of (i) the greater of an amount equal to the greater of (A) 10% of Surplus of HSIC or (B) the Net Income of HSIC for the four (4) fiscal quarters ended on the date of determination, or (ii) the Unassigned Surplus of HSIC, *plus* (b) the earnings before taxes, depreciation and amortization for the non-RIC companies.

"*Eligible Transferee*" means any national banking association, state chartered bank, federal savings bank or association, state chartered savings bank or association or other financial institution (a) the deposits of which are insured by the Federal Deposit Insurance Corporation, and (b) the gross assets of which financial institution (or its holding company if the publicly available financial statements for such holding company do not state the gross assets of such financial institution) are greater than $2,500,000,000, as stated in the most recent publicly available financial statements for such financial institution or holding company, as applicable, issued prior to the effective date of the Participation or assignment, as applicable.

"*Environment*" means ambient air, surface water and groundwater (including potable water, navigable water and wetlands), the land surface or subsurface strata, real property improvements or as otherwise defined in any Environmental Law.

"*Environmental Claim*" means any written accusation, overt allegation, notice of violation, claim, demand, order, directive, consent decree, cost recovery action or other cause of action by, or on behalf of, any Governmental Authority or any Person for damages, injunctive or equitable relief, personal injury (including sickness, disease or death), Remedial Action costs, property damage, natural resource damages, nuisance, pollution, any adverse effect on the Environment caused by any Hazardous Material, or for fines, penalties or restrictions, resulting from or based upon: (a) the existence, or the continuation of the existence, of a Release (including sudden or non-sudden, accidental or non-accidental Releases); (b) exposure to any Hazardous Material; (c) the presence, use, handling, transportation, storage, treatment or disposal of any Hazardous Material; or (d) the violation or alleged violation of any Environmental Law or Environmental Permit.

"*Environmental Law*" means any and all applicable present and future treaties, Laws, codes, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the Environment, preservation or reclamation of natural resources, the management, Release or threatened Release of any Hazardous Material or to health and safety matters, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601 *et seq.* (collectively "*CERCLA*"), the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 and Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §§ 6901 *et seq.*, the Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977, 33 U.S.C. §§ 1251 *et seq.*, the Clean Air Act of 1970, 42 U.S.C. §§ 7401 *et seq.*, as amended, the Toxic Substances Control Act of 1976, 15 U.S.C. §§ 2601 *et seq.*, the Occupational Safety and Health Act of 1970, as amended by 29 U.S.C. §§ 651 *et seq.*, the Emergency Planning and Community Right to Know Act of 1986, 42 U.S.C. §§ 11001 *et seq.*, the Safe Drinking Water Act of 1974, as amended by 42 U.S.C. §§ 300(f) *et seq.*, the Hazardous Materials Transportation Act, 49 U.S.C. §§ 5101 *et seq.*, and any similar or implementing state or local Law.

"*Environmental Permit*" means any permit, approval, authorization, certificate, license, variance, filing or permission required by or from any Governmental Authority pursuant to any Environmental Law.

"*Equity Interests*" means, with respect to any Person, (a) all of the (i) shares of capital stock, (ii) limited liability company interests, (iii) partnership interests, (iv) trust interests of or (v) other ownership or profits interests in such Person (the interests in clauses (i) – (v), the "*Base Equity Interests*"), (b) all of the warrants, options or other rights for the purchase or acquisition from such Person of Base Equity Interests of such Person, (c) all of the securities or other interests convertible into or exchangeable for Base Equity Interests of such Person or warrants, rights or options entitling the holder thereof to purchase or acquire such equity interest, and (d) all of the other ownership or profit interests in such Person, whether voting or nonvoting, and whether or not such shares, limited liability company interest, partnership interest, trust interest, warrants, options, rights or other interests are outstanding on any date of determination; *provided however*, such term does not include interests in limited partnerships or separately managed accounts that are used solely to consolidate otherwise Permitted Investments.

"*ERISA*" means the Employee Retirement Income Security Act of 1974.

"*ERISA Affiliate*" means each person (as defined in Section 3(9) of ERISA) which together with Borrower or a Subsidiary would be deemed to be a "single employer" within the meaning of Section 414(b), (c), (m) or (o) of the Code.

"*Eurodollar Basis*" " means for any Interest Period a rate per annum equal to the "London Interbank Offered Rate" for a thirty-day term, quoted on the Adjustment Date with respect to such Interest Period in *The Wall Street Journal* (U.S. Edition) in the "Money Rates" column (or if *The Wall Street Journal* is not published on such day, in the issue most recently published prior to the applicable Adjustment Date of *The Wall Street Journal* in the "Money Rates" column); *provided*, if the London Interbank Offered Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement and each other Loan Document. Borrower acknowledges that (a) if more than one London Interbank Offered Rate is published at any time by *The Wall Street Journal*, the highest of such London Interbank Offered Rate shall constitute the London Interbank Offered Rate hereunder; *provided*, if the highest of such London Interbank Offered Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement and each other Loan Document, and (b) if at any time *The Wall Street Journal* ceases to publish a London Interbank Offered Rate, Lender shall have the right to select a substitute rate that Lender determines, in the exercise of its reasonable commercial discretion, to be comparable to such London Interbank Offered Rate, and the substituted rate as so selected, upon the sending of written notice thereof to Borrower, shall constitute the London Interbank Offered Rate hereunder; *provided*, if such substituted rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement and each other Loan Document. *The Wall Street Journal* London Interbank Offered Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. Each determination by Lender of the London Interbank Offered Rate shall be conclusive and binding absent manifest error, and may be computed using any reasonable averaging and attribution method.

"*Eurodollar Rate Loan*" means a Loan or any portion thereof that bears interest at a rate based on the Eurodollar Basis *plus* Applicable Margin.

"*Event of Default*" has the meaning specified in Section 9.1.

"*Excluded Swap Obligation*" means, with respect to any Obligor (other than Borrower), any Swap Obligation if, and to the extent that, all or a portion of any guaranty of such Obligor of such Swap Obligation is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Obligor's failure for any reason to constitute an "eligible contract participant" as defined in the Commodity Exchange Act at the time the guaranty of such Obligor becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such guaranty is or becomes excluded in accordance with the first sentence of this definition.

"*Excluded Taxes*" means, with respect to Lender or any Affiliate of Lender that receives a payment pursuant to a Loan Document, (a) Taxes imposed on or measured by its overall net income (however denominated), and interest withholding taxes, Taxes on doing business and franchise taxes imposed on it (*in lieu* of or in addition to net income taxes), (b) interest withholding or similar Taxes imposed (i) by the jurisdiction (or any political subdivision thereof) under the Laws of which such Person is organized or in which its principal office, any applicable lending office, or any branch or Affiliate thereof is located or, in the case of Lender, in which its Principal Office is located or (ii) by reason of any present or former connection between the jurisdiction imposing such Tax and Lender or its Principal Office, applicable lending office, branch or Affiliate thereof, (c) any branch profits taxes imposed by the United States or any similar Tax imposed by any other jurisdiction in which Borrower is located or described in clause (b), (d) any U.S. federal taxes imposed pursuant to FATCA on any "withholdable payment" (as defined under FATCA).

"*Existing Debt*" means the Debt of Borrower and Subsidiaries existing on the Agreement Date, including extensions and renewals (but not increases) thereof.

"*Existing Investments*" means, with respect to any Person, the Investments of such Person existing as of September 30, 2019.

"*Existing Litigation*" means (a) Litigation (other than Insurance Litigation) existing on the Agreement Date involving or otherwise affecting Borrower or any Subsidiary which could reasonably be expected to result in a judgment against or liability of Borrower or a Subsidiary (net of insurance issued by an unrelated third party) in an amount equal to or greater than $5,000,000, and (b) Insurance Litigation existing on the Agreement Date involving or otherwise affecting Borrower or any Subsidiary which could reasonably be expected to result in a judgment against or liability of any such Person in an amount equal to or greater than $5,000,000 in excess of the policy limits under the related Insurance Contract (net of any reinsurance).

"*FASB ASC*" means the Accounting Standards Codification of the Financial Accounting Standards Board.

"*FATCA*" means Sections 1471 through 1474 of the Code, as of the Agreement Date (or any amended or successor version that is substantively comparable) and any current or future regulations or official interpretations thereof.

"*Financial Statements*" includes, as applicable to a Person, balance sheets, profit and loss statements, statement of stockholders' equity, as appropriate, and statements of changes in financial position or cash flow of such Person, prepared in comparative form with respect to the corresponding period of the preceding fiscal year and prepared in accordance with SAP or Accounting Principles, as appropriate.

"*Fixed Charges*" means the difference between (a) the sum of (i) Interest Expenses for the four fiscal quarter period most recently ended as of the date of determination, *plus* (ii) Implied Principal Payments, *plus* (iii) Cash Capex actually paid by Borrower during the four fiscal quarter period most recently ended as of the date of determination, *plus* (iv) the aggregate amount of Taxes actually paid by Borrower during the four fiscal quarter period most recently ended as of the date of determination, *less* (b) Cash Capex actually paid by any RIC during the four fiscal quarter period most recently ended as of the date of determination.

"*Fixed Charges Coverage Ratio*" means the ratio (rounded to two decimal places), determined as at the last day of the most recent fiscal quarter of Borrower, of (a) EBITDA for the four fiscal quarter period ended on the last day of such fiscal quarter, to (b) Fixed Charges determined as at the last day of such fiscal quarter.

"*GAAP*" means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

"*Governmental Authority*" means any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, administrative tribunal, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"*Guarantee*" means, as to any Person, any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Debt of the kind described in clauses (a) through (i) of the definition of "Debt" or other obligation payable or performable by another Person (the "*primary obligor*") in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation, (b) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Debt or other obligation of the payment or performance of such Debt or other obligation, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Debt or other obligation, (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Debt, or (e) entered into for the purpose of assuring in any other manner the obligee in respect of such Debt or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part). The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term "*Guarantee*" as a verb has a corresponding meaning.

"*Guarantor*" means HSG and HUA, jointly and severally.

"*Guaranty*" means a Guaranty Agreement, substantially in the form of Exhibit E.

"*Hazardous Materials*" means all explosive or radioactive substances or wastes, hazardous or toxic substances or wastes, pollutants, solid, liquid or gaseous wastes, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls ("*PCBs*") or PCB containing materials or equipment, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"*HCT*" means HIIG Capital Trust I, f/k/a Delos Capital Trust, a Delaware statutory trust established by Borrower, of which Borrower holds all the common securities, which is the issuer of the 2006 Preferred Securities, and which purchased from Borrower the 2006 Debentures with the net proceeds from the issuance and sale of the 2006 Preferred Securities.

"*HCT Declaration of Trust*" means the Declaration of Trust of HCT, together with all amendments and restatements.

"*Highest Lawful Rate*" means at the particular time in question the maximum rate of interest which, under Applicable Law, Lender is then permitted to charge on the Obligations. If the maximum rate of interest which, under Applicable Law, Lender is permitted to charge on the Obligations shall change after the date hereof, the Highest Lawful Rate shall be automatically increased or decreased, as the case may be, from time to time as of the effective time of each change in the Highest Lawful Rate without notice to Borrower. For purposes of determining the Highest Lawful Rate under Applicable Law, the indicated rate ceiling shall be the lesser of (a) (i) the "*weekly ceiling*", as that expression is defined in Section 303.003 of the Texas Finance Code, as amended, or (ii) if available in accordance with the terms thereof and at Lender's option after notice to Borrower and otherwise in accordance with the terms of Section 303.103 of the Texas Finance Code, as amended, the "*annualized ceiling*" and (b) (i) if the amount outstanding under this Agreement is less than $250,000, 24% per annum, or (ii) if the amount under this Agreement is equal to or greater than $250,000, 28% per annum.

"*HSG*" means HIIG Service Company, a Delaware corporation.

"*HSIC*" means Houston Specialty Insurance Company, a Texas-domiciled insurance company.

"*HUA*" means HIIG Underwriters Agency, Inc., a Texas corporation.

"*IFRS*" means international accounting standards within the meaning of IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements delivered under or referred to herein.

"*Implied Principal Payments*" means the total annual principal payments required for the Term Loan as of any date of determination with such payments calculated based upon a seven (7) year straight line amortization period, regardless of the actual amortization period for such Term Loan.

"*Insurance Business*" means one or more aspects of the business of selling, issuing or underwriting insurance or reinsurance.

"*Insurance Contract*" means any insurance contract or policy issued by a RIC or subject to a Reinsurance Agreement or a Retrocession Agreement to which a RIC is a party.

"*Insurance Litigation*" means any Litigation which includes claims under an Insurance Contract, a Reinsurance Agreement or Retrocession Agreement.

"*Insurance Regulator*" means, when used with respect to any Obligor or any Subsidiary (a) the Governmental Authority, insurance department or similar administrative authority or agency located in the state in which such Obligor or Subsidiary is organized or domiciled that asserts regulatory authority over such Obligor or Subsidiary, and (b) to the extent asserting regulatory jurisdiction over such Obligor or Subsidiary, the Governmental Authority, insurance department, authority or agency in each state in which such Obligor or Subsidiary is licensed, and shall include any Federal insurance regulatory department, authority or agency that may be created and that asserts regulatory jurisdiction over such Obligor or Subsidiary.

"*Interest Expenses*" means, for any period, the sum of (a) all interest, premium payments, debt discount, fees, charges and related expenses of Borrower in connection with borrowed money (including capitalized interest but excluding any payments on the 2006 Debentures and the 2019-1 Notes) or in connection with the deferred purchase price of assets, in each case to the extent treated as interest in accordance with Accounting Principles, and (b) the portion of rent expense of Borrower with respect to such period under Capital Leases that is treated as interest in accordance with Accounting Principles.

"*Interest Payment Date*" means (a) as to any portion of any Eurodollar Rate Loan, (i) the last day of the Interest Period applicable to such Eurodollar Rate Loan, (ii) the Term Loan Maturity Date (with respect to the Term Loan) and (iii) the Revolving Loan Maturity Date (with respect to the Revolving Loan); and (b) as to any Prime Rate Loan, (i) the fifteenth day of each January, April, July, and October, (ii) the Term Loan Maturity Date (with respect to the Term Loan) and (iii) the Revolving Loan Maturity Date (with respect to the Revolving Loan).

"*Interest Period*" means, as to each Eurodollar Rate Loan, (a) with respect to the Term Loan, (i) the period commencing on the date that the proceeds of the Term Loan are advanced to Borrower and ending on December 15, 2019, and (ii) except as provided in clause (a)(i), the period commencing on the sixteenth day of each month (or, if the date on which the Term Loan was converted to a Eurodollar Rate Loan was not the sixteenth day of a month, the date of such conversion in accordance with this Agreement) and ending on the fifteenth day of the following month; *provided*, that no Interest Period shall extend beyond the Term Loan Maturity Date, and (b) with respect to the Revolving Loan, (i) the period commencing on the date that the proceeds of the Revolving Loan are advanced to Borrower and ending on the fifteenth day of the following month, and (ii) except as provided in clause (b)(i) , the period commencing on the sixteenth day of each month (or, if the date on which the Revolving Loan was converted to a Eurodollar Rate Loan was not the sixteenth day of a month, the date of such conversion in accordance with this Agreement) and ending on the fifteenth day of the following month; *provided*, that no Interest Period shall extend beyond the Revolving Loan Maturity Date.

"*Investment*" means as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or acquisition of all or substantially all of the assets of any Person, (b) any direct or indirect purchase or other acquisition of, or a beneficial interest in, any Equity Interest or other securities of any other Person, or (c) any direct or indirect loan, advance, or capital contribution to or investment in any other Person, including without limitation the incurrence or sufferance of Debt or accounts receivable of any other Person that are not current assets or do not arise from Dispositions to that other Person in the ordinary course of business.

"*Investment Grade Securities*" means and includes (a) securities that are direct obligations of the United States of America, the payment of which is backed by the full faith and credit of the United States of America, (b) debt securities or debt instruments with an NAIC rating of 1 or 2, but excluding any debt securities or instruments constituting loans or advances among Borrower and Subsidiaries, and (c) any fund investing exclusively in investments of the type described in clauses (a) and (b), which funds may also hold immaterial amounts of cash pending investment and/or distribution.

"*Knowledge of Borrower and Other Obligors*" means the Chief Executive Officer, President, Chief Financial Officer or Senior Vice President, Corporate Affairs, is actually aware of such fact or other matter or is deemed to be aware if such Person using ordinary care in the exercise of his/her duties and responsibilities would have been aware of such fact or other matter in the normal organizational reporting process consistent with reasonable business practices.

"*Laws*" means, collectively, all international, foreign, Federal, state and local constitutions, statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

"*Letter of Credit*" means any letter of credit issued by Lender or any of its Affiliates for the account of Borrower and/or another Obligor pursuant to Article III.

"*Letter of Credit Agreement*" means an Application and Agreement for Standby Letter of Credit, or an Amendment Request Form in each case properly completed and signed by Borrower and, if the applicant for the related Letter of Credit is an Obligor (other than Borrower), such Obligor, requesting issuance, amendment, renewal or extension of a Letter of Credit, and any other document related to a Letter of Credit, all in form and substance satisfactory to Lender.

"*Letter of Credit Commitment*" means $20,000,000.00.

"*Letter of Credit Liabilities*" means, at any time, the sum of (a) the aggregate amount available to be drawn under all outstanding Letters of Credit, *plus* (b) the aggregate amount of all disbursements made by Lender under the outstanding Letters of Credit that have not yet been reimbursed by or on behalf of Borrower at such time.

"*Letter of Credit Termination Date*" means December 11, 2024.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any agreement to give or not to give any of the foregoing), any conditional sale or other title retention agreement, any financing or other lease in the nature thereof, and the filing of or agreement to give any financing statement or other similar form of public notice under the Laws of any jurisdiction.

"*Litigation*" means any proceeding, claim, lawsuit and/or investigation conducted or, to the knowledge of the applicable Person, threatened in writing by or before any Governmental Authority or arbitrator, including, but not limited to, proceedings, arbitrations, mediations, claims, lawsuits, and/or investigations under or pursuant to any Environmental Law, occupational, safety and health, antitrust, unfair competition, securities, Tax, or other Law, or under or pursuant to any contract, agreement or other instrument.

"*Loan*" means each of the Term Loan and the Revolving Loan.

"*Loan Documents*" means this Agreement, the Term Loan Note, the Revolving Loan Note, the Security Documents, the Guaranty and all other documents and instruments executed and delivered to Lender by any Obligor or any other Person pursuant to this Agreement.

"*Loss Portfolio Transfer*" means a retroactive reinsurance treaty whereby the RICs cede 100% of certain existing and future claim liabilities to an affiliated Cayman Island captive insurance company, transferring loss reserves, including the disposition of assets to provide cash for the reserves and the cost of such transfer, on or before December 31, 2020.

"*Material Adverse Change*" or "*Material Adverse Effect*" means any act or circumstance or event which (a) causes an Event of Default or Default, (b) otherwise would reasonably be expected to be material and adverse to the business, operations, properties or financial condition of the Borrower Group, taken as a whole, or (c) in any manner whatsoever would reasonably be expected to materially and adversely affect the validity or enforceability of any of the Loan Documents.

"*Material Contract*" means, with respect to any Person, each contract or agreement (a) to which such Person is a party involving aggregate consideration payable to or by such Person of $1,000,000 or more in any year or (b) otherwise material to the business, condition (financial or otherwise), operations, performance, or properties of such Person or (c) any other contract, agreement, permit or license, written or oral, of Borrower and Subsidiaries as to which the breach, nonperformance, cancellation or failure to renew by any party thereto, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

"*Maximum Amount*" means the maximum amount of interest which, under Applicable Law, Lender is permitted to charge on the Obligations.

"*NAIC*" means the National Association of Insurance Commissioners and each successor thereto.

"*Net Income*" means, with respect to a RIC, as of the end of any fiscal quarter, the amount of net income of the RIC using the same information and in the same manner as was utilized in preparing page 4, line 20 of the December 31, 2018 annual regulatory financial statement, utilizing the format promulgated by NAIC and filed with the applicable Insurance Regulator, or if such format is changed after the Agreement Date, the same type of information, computed in the same manner, as contained on page 4, line 20 of such regulatory financial statement of such RIC dated December 31, 2018. With respect to Borrower or any other non-RIC Obligor, "*Net Income*" means, as of the end of any fiscal quarter, the amount of net income for the four fiscal quarter period ending on such date, utilizing the format determined by the Accounting Principles.

"*Note*" means each of the Term Loan Note and the Revolving Loan Note.

"*Obligations*" means all obligations, indebtedness and liabilities under the Loan Documents now or hereafter owing by Borrower or any other Person to or for the benefit of Lender or any Affiliate of Lender, whether joint or several, fixed or contingent, including principal, interest, expenses of collection and foreclosure and Attorney Costs. Without limiting the generality of the foregoing, "*Obligations*" includes all interest, fees and other amounts which would be owed by Borrower or any other Person to Lender or any Affiliate of Lender under any Loan Document, regardless of whether such interest, fees or other amounts are enforceable or allowed claims in any proceeding under any Debtor Relief Law involving Borrower or any other Person (other than Lender, any Affiliate of Lender, any Assignee or any Participant).

"*Obligor*" means Borrower, each other Person liable for payment or performance of any of the Obligations and each other Person any property of which secures the payment or performance of any of the Obligations.

"*OFAC*" means the Office of Foreign Assets Control of the United States Department of the Treasury.

"*Off-Balance Sheet Liabilities*" means, with respect to any Person as of any date of determination thereof, without duplication and to the extent not included as a liability on the consolidated balance sheet of such Person and its Subsidiaries in accordance with Accounting Principles or SAP, as applicable: (a) with respect to any asset securitization transaction (including any accounts receivable purchase facility) (i) the unrecovered investment of purchasers or transferees of assets so transferred and (ii) any other payment, recourse, repurchase, hold harmless, indemnity or similar obligation of such Person or any of its Subsidiaries in respect of assets transferred or payments made in respect thereof, other than limited recourse provisions that are customary for transactions of such type and that neither (A) have the effect of limiting the loss or credit risk of such purchasers or transferees with respect to payment or performance by the obligors of the assets so transferred nor (B) impair the characterization of the transaction as a true sale under applicable Laws (including Debtor Relief Laws); (b) any Synthetic Lease Obligation; (c) the monetary obligations under any sale and leaseback transaction which does not create a liability on the consolidated balance sheet of such Person and its Subsidiaries; or (d) any other monetary obligation arising with respect to any other transaction which (i) upon the application of any Debtor Relief Law to such Person or any of its Subsidiaries, would be characterized as indebtedness or (ii) is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the consolidated balance sheet of such Person and its Subsidiaries (for purposes of this clause (d), any transaction structured to provide tax deductibility as interest expense of any Dividend, coupon or other periodic payment will be deemed to be the functional equivalent of a borrowing).

"*Organizational Documents*" means (a) with respect to any corporation, (i) the articles or certificate of incorporation (or the equivalent organizational documents) of such entity, (ii) the bylaws (or the equivalent governing documents) of such entity and (iii) any document setting forth the designation, amount and/or relative rights, limitations and preferences of any class or series of such entity's Equity Interests or the holders thereof; (b) with respect to any partnership (whether limited or general), (i) the certificate of partnership (or equivalent organizational documents), (ii) the partnership agreement (or equivalent organizational or governing documents) of such partnership and (iii) any document setting forth the designation, amount and/or rights, limitations and preferences of any of such partnership's Equity Interests or the holders thereof; (c) with respect to any limited liability company, (i) the articles of organization (or the equivalent organizational documents) of such entity, (ii) the limited liability company or operating agreement (or the equivalent governing documents) of such entity and (iii) any document setting forth the designation, amount and/or rights, limitations and preferences of any of such limited liability company's Equity Interests or the holders thereof; and (d) with respect to any other type of entity, the organizational and governing documents for such entity which are equivalent to those described in clauses (a) through (c), as applicable.

"*Outstanding Amount*" means, as of any date of determination the aggregate outstanding principal amount of the Revolving Loan, after giving effect to any Revolving Borrowing and any principal payment of the Revolving Loan occurring on such date.

"*PBGC*" means the Pension Benefit Guaranty Corporation established under ERISA.

"*Permitted Debt*" means, without duplication (a) the Obligations, (b) Existing Debt (excluding any increase in the principal amount thereof after the Agreement Date), (c) trade accounts payable of Borrower and Subsidiaries and other similar obligations incurred in the ordinary course of business, (d) claims to payment under Insurance Contracts, (e) intercompany balances in the ordinary course of business among Borrower and Subsidiaries; *provided*, *that*, all such amounts owed by a Subsidiary to a Person other than a RIC or a Subsidiary of a RIC shall be subordinated to all Obligations on terms reasonably acceptable to Lender, (f) Capital Leases of Borrower and Subsidiaries in an aggregate principal amount not to exceed $5,000,000 at any time, (g) the obligations of Borrower or a Subsidiary with respect to "earn outs" or similar future payments or transfers of property to any Person from whom Borrower or such Subsidiary acquired all or substantially all of the capital stock or other equity interest or significant assets of an entity, and which obligations Borrower or such Subsidiary are required to treat as indebtedness pursuant to GAAP; provided, that the aggregate principal amount of such obligations and indebtedness shall not exceed $25,000,000 at any time; (h) debt outstanding under the 2019-1 Notes; provided that the aggregate unpaid principal amount of the 2019 -1 Notes shall not exceed $20,000,000 at any time; and (j) other Debt of Borrower and Subsidiaries in an aggregate amount not to exceed $10,000,000 at any time.

"*Permitted Liens*" means (a) Bank Liens, (b) pledges or deposits made to secure payment of workmen's compensation, or to participate in any fund in connection with workmen's compensation, unemployment insurance, pensions, or other social security programs (excluding any Liens in respect of ERISA), (c) good-faith pledges or deposits made to secure performance of bids, tenders, contracts (other than for the repayment of borrowed money), or leases, or to secure statutory obligations, surety or appeal bonds, or indemnity, performance, or other similar bonds in the ordinary course of business, (d) encumbrances consisting of zoning restrictions, easements, or other restrictions on the use of real property, none of which impair the use of such property by any Obligor or any of its Subsidiaries in the operation of its business in any manner which would have a Material Adverse Effect, (e) reinsurance trust accounts and Liens securing performance with respect to such reinsurance trust accounts if such Lien attaches to property in the reinsurance trust account, only, (f) the following, if the validity or amount thereof is being contested in good faith and by appropriate and lawful proceedings and so long as levy and execution thereon have been stayed and continue to be stayed: claims and Liens for Taxes due and payable; claims and Liens upon, and defects of title to, real or personal property or other legal process prior to adjudication of a dispute on the merits, including mechanic's and materialmen's Liens; and adverse judgments on appeal, (g) set-off, charge-back and other rights of depository and collection banks and other financial institutions with respect to money or instruments of Borrower or Subsidiaries on deposit with or in possession of such institutions, (h) Liens arising under Capital Leases permitted under this Agreement, (i) Liens securing reverse repurchase agreements entered into by Borrower or a Subsidiary if (*i*) such reverse repurchase agreement relates to cash management and liquidity management activities of Borrower or such Subsidiary and (*ii*) such Lien attaches to the security the subject of such reverse repurchase agreement, only, (j) Liens arising from precautionary UCC financing statement filings with respect to operating leases otherwise permitted by this Agreement, (k) licenses, leases and subleases permitted under this Agreement which do not interfere in any material respect with the business operations of Borrower and Subsidiaries, (l) Liens securing purchase money indebtedness permitted under this Agreement and such Lien attaches to only the property acquired with the proceeds of such purchase money indebtedness, (m) securities pledged as a condition to the issuance or maintenance of a RIC's certificate of authority to conduct Insurance Business, and (n) extensions, renewals and replacements of any of the foregoing Liens.

"*Person*" means and includes an individual, a partnership, a joint venture, a corporation, a limited liability company, a trust, an unincorporated organization, and a government or any department, Governmental Authority, agency or political subdivision thereof.

"*Plan*" means any plan subject to Title IV of ERISA and maintained for employees of any Obligor or any of its Subsidiaries, or of any such plan maintained by an ERISA Affiliate; *provided*, "Plan" shall not include any "multiemployer plan" (as defined in Section 4001 of ERISA).

"*Prime Rate*" means the maximum "Latest" "U.S." prime rate of interest per annum published from time to time in the Money Rates section of *The Wall Street Journal* (U.S. Edition) or in any successor publication to *The Wall Street Journal*. Borrower understands that the Prime Rate may not be the best, lowest, or most favored rate of Lender or *The Wall Street Journal,* and any representation or warranty in that regard is expressly disclaimed by Lender. Borrower acknowledges that (a) if more than one U.S. prime rate is published at any time by *The Wall Street Journal*, the highest of such prime rates shall constitute the Prime Rate hereunder and (b) if at any time *The Wall Street Journal* ceases to publish a U.S. prime rate, Lender shall have the right to select a substitute rate that Lender determines, in the exercise of its reasonable commercial discretion, to be comparable to such prime rate, and the substituted rate as so selected, upon the sending of written notice thereof to Borrower, shall constitute the Prime Rate hereunder. Upon each increase or decrease hereafter in the Prime Rate, the rate of interest upon the unpaid principal balance of each then outstanding Prime Rate Loan (if any) shall be increased or decreased by the same amount as the increase or decrease in the Prime Rate, such increase or decrease to become effective as of the day of each such change in the Prime Rate and without notice to Borrower or any other Person.

"*Prime Rate Loan*" means a Loan when it bears interest at a rate based on the Prime Rate.

"*Principal Office*" means the principal office of Lender, located at 5851 Legacy Circle, Suite 1200, Plano, Texas 75024.

"Qualified Equity Interest" means any capital stock or other equity interest of Borrower that is not Disqualified Equity Interests.

"*Regulatory Order*" means any (a) judicial or administrative order, consent agreement or decree required by or to which a Governmental Authority is a party, (b) memorandum of understanding required by or to which a Governmental Authority is a party, judicial or administrative ruling or finding, restriction required by any Governmental Authority on Borrower's or any Subsidiary's business operations, (c) requirement of any Governmental Authority regarding the raising of capital by Borrower or any Subsidiary or (d) restriction required by any Governmental Authority regarding the activities of a specified individual, or similar matters, regardless of whether any of the foregoing is a public record.

"*Reinsurance Agreement*" means any agreement, contract, treaty or other arrangement whereby one or more insurers, as reinsurers, assume liabilities under insurance policies or agreements issued by another insurance or reinsurance company or companies.

"*Release*" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposing, depositing, dispersing, emanating or migrating of any Hazardous Material in, into, onto or through the Environment.

"*Remedial Action*" means (a) "remedial action" as such term is defined in CERCLA, 42 U.S.C. Section 9601(24), and (b) all other actions required by any Governmental Authority or voluntarily undertaken to: (i) cleanup, remove, treat, abate or in any other way address any Hazardous Material in the Environment; (ii) prevent the Release or threat of Release, or minimize the further Release of any Hazardous Material so it does not migrate or endanger or threaten to endanger public health, welfare or the Environment; or (iii) perform studies and investigations in connection with, or as a precondition to, (i) or (ii) above.

"*Reportable Event*" means a reportable event as defined in Section 4043(b) of Title IV of ERISA or PBGC regulations, other than events for which the thirty (30) day notice period has been waived.

"*Restrictive Agreement*" means an agreement that (a) prohibits, restricts or limits the ability (i) of any Subsidiary to pay Dividends to the holders of its Equity Interests, (ii) of any Subsidiary (other than a RIC or a Subsidiary of a RIC) to guarantee payment and performance of the Secured Obligations, or (iii) of any Subsidiary (other than a RIC or a Subsidiary of a RIC) to create, incur, assume or suffer to exist a Lien on property of such Subsidiary, or (b) requires the grant of a Lien to secure an obligation of a Person if a Lien is granted to secure another obligation of such Person.

"*Retrocession Agreement*" means any agreement, contract, treaty or other arrangement whereby one or more insurers or reinsurers, as retrocessionaires, assume liabilities of reinsurers under a Reinsurance Agreement or other retrocessionaires under another retrocession agreement.

"*Revolving Borrowing*" means a borrowing by Borrower of the Revolving Loan made by Lender pursuant to Section 2.1(b) and Section 2.2(b).

"*Revolving Loan*" means the revolving loan evidenced by the Revolving Loan Note to be disbursed to Borrower by Lender pursuant to the Revolving Loan Commitment, subject to the terms and conditions of this Agreement.

"*Revolving Loan Commitment*" means $50,000,000; provided, however, Borrower shall have the right to request that such amount be increased to $75,000,000 upon the approval by Lender in Lender's sole and absolute discretion.

"*Revolving Loan Maturity Date*" means the first to occur of (a) December 11, 2024, (b) the date the Revolving Loan Commitment is terminated pursuant to either Section 2.6 or 9.2, or (c) the date any of the Obligations are accelerated.

"*Revolving Loan Note*" means the promissory note made by Borrower in favor of Lender evidencing the Revolving Loan made by Lender, substantially in the form of Exhibit G.

"*Revolving Loan Notice*" means a notice of a Revolving Borrowing request pursuant to Section 2.2(b), substantially in the form of Exhibit H.

"*Revolving Loan Origination Fee*" has the meaning as set forth in Section 5.1(i).

"*RIC*" means any Subsidiary that (i) is authorized or admitted to engage in the business of selling, issuing or underwriting insurance or reinsurance in any jurisdiction, (ii) is regulated by any Insurance Regulator, and (iii) is either (A) required by any Insurance Regulator to file an annual financial statement in the form prescribed by the NAIC for a life, accident and health, health, property and casualty, title, fraternal benefit or other insurance company, as applicable, or (B) a captive insurance company.

"*Risk-Based Capital Ratio*" means for a RIC, the ratio (expressed as a percentage), at any time, of the Total Adjusted Capital of such RIC to the Authorized Control Level of such RIC.

"*Sanction(s)*" means any international economic sanction administered or enforced by the United States Government (including, without limitation, OFAC), the United Nations Security Council, the European Union, Her Majesty's Treasury or other relevant sanctions authority.

"*SAP*" means the statutory accounting and reporting practices prescribed by the insurance Laws or Insurance Regulator (or other similar Governmental Authority) with respect to each RIC, consistently applied.

"*Sarbanes-Oxley*" means the Sarbanes-Oxley Act of 2002.

"*SEC*" means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

"*Secured Obligations*" means collectively, (a) the Obligations, (b) all Swap Obligations, (c) all Cash Management Obligations, and (d) any and all out-of-pocket expenses (including, without limitation, expenses and Attorney Costs of any holder of Swap Obligations or Cash Management Obligations) incurred by any such holder in enforcing its rights under any Cash Management Agreement, any Swap Contract between or among any Obligor and/or any Subsidiary of any Obligor and Lender and/or any Affiliate of Lender, or any other agreement related to or evidencing Swap Obligations or Cash Management Obligations. Without limiting the generality of the foregoing, "*Secured Obligations*" includes all interest, fees and other amounts which would be owed by Borrower or any other Person to Lender or an Affiliate of Lender under any Cash Management Agreement, any Swap Contract between or among any Obligor and/or any Subsidiary of any Obligor and Lender and/or any Affiliate of Lender, or any other agreement related to or evidencing Cash Management Obligations or Swap Obligations, regardless of whether such interest, fees or other amounts are enforceable or allowed claims in any proceeding under any Debtor Relief Law involving Borrower or any other Person (other than Lender or any holder of such Swap Obligation or Cash Management Obligation). Notwithstanding the foregoing or any other provision of any Loan Document, "Secured Obligations" shall exclude all Excluded Swap Obligations.

"*Security Documents*" means, collectively, the Borrower Pledge Agreement, the Borrower Security Agreement and any and all other documents, instruments, financing statements, control agreements, public notices and the like executed or delivered in connection with any of the Bank Liens or the Collateral.

"*Senior Manager*" means an individual holding the office of Senior Vice President (or higher) of Borrower.

"*Solvent*" means, with respect to any Person, that the fair value of the assets of such Person (both at fair valuation and at present fair saleable value) is, on the date of determination, greater than the total amount of liabilities (including contingent and unliquidated liabilities) of such Person as of such date and that, as of such date, such Person is able to pay all liabilities of such Person as such liabilities mature and such Person does not have unreasonably small capital with which to carry on its business. In computing the amount of Contingent Debt or other contingent or unliquidated liabilities at any time, such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability discounted to present value at rates believed to be reasonable by such Person.

"*Subsidiary*" of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which (a) a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned by such Person, or (b) the management of which is otherwise Controlled, directly or indirectly through one or more intermediaries, by such Person. Unless otherwise specified, all references to a "*Subsidiary*" or to "*Subsidiaries*" refer to a Subsidiary or Subsidiaries of Borrower.

"*Surplus*" means (a) if the calculation is made as at the last day of the first three (3) fiscal quarters of a RIC, the amount of surplus as regards policyholders, computed using the same information and in the same manner as was utilized in preparing page 3, line 31 of the June 30, 2019 quarterly regulatory financial statement of such RIC, utilizing the format promulgated by NAIC and filed with the applicable Insurance Regulator, or if such format is changed after the Agreement Date, the same type of information, computed in the same manner as contained on page 3, line 37 of such regulatory financial states of such RIC dated June 30, 2019; or (b) if the calculation is made as at the last day of the fiscal year of a RIC, the amount of surplus as regards policyholders, computed using the same information and in the same manner as was utilized in preparing page 3, line 31 of the December 31, 2018 annual regulatory financial statement of such RIC, utilizing the format promulgated by NAIC and filed with the applicable Insurance Regulator., or if such format is changed after the Agreement Date, the same type of information, computed in the same manner as contained on page 3, line 37 of such regulatory financial states of such RIC dated December 31, 2018.

"*Swap Contract*" means any of the following entered into by Borrower and/or any Subsidiary: (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a "*Master Agreement*"), including any such obligations or liabilities under any Master Agreement.

"*Swap Obligations*" means with respect to any Obligor or any other Subsidiary any obligation to pay or perform under any Swap Contract or other agreement, contract or transaction that constitutes a "swap" within the meaning of Section 1a(47) of the Commodity Exchange Act.

"*Swap Termination Value*" means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to- market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include Lender or any Affiliate of Lender).

"*Synthetic Lease Obligation*" means the monetary obligation of a Person under (a) a so-called "synthetic," off-balance sheet, financing or tax retention lease, or (b) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the application of any Debtor Relief Law to such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

"*Taxes*" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"*Term Loan Maturity Date*" means the first to occur of (a) December 11, 2024, or (b) the date any of the Obligations are accelerated.

"*Term Loan Note*" means the promissory note made by Borrower in favor of Lender evidencing the Term Loan made by Lender, substantially in the form of Exhibit A.

"*Total Adjusted Capital*" means "Total Adjusted Capital" as defined by NAIC as of December 31, 2018, without adjustment, and as applied in the context of the Risk-Based Capital Guidelines promulgated by NAIC (or any term substituted therefor by NAIC).

"*UCC*" means the Uniform Commercial Code, as currently adopted in Texas.

1.2 *Additional Definitions*. The following additional terms have the meaning specified in the indicated Section or other provision of this Agreement:

Term	Section/Provision
Agreement	Introductory Paragraph
Assignee	Section 10.7(c)
Base Equity Interests	"Equity Interests"
Borrower	Introductory Paragraph
Borrower Indemnitees	Section 6.8(b)
Cure Notice	Section 4.8(b)
Cure Right	Section 4.8(a)
Eurocurrency liabilities	Section 4.4(d)
Financial Covenant Event of Default	Section 4.8(a)
Indemnified Taxes	Section 4.1(a)
Information	Section 10.13
Lender	Introductory Paragraph
Lender Indemnities	Section 6.7
Lender Information	Section 6.8(a)
Other Taxes	Section 4.1(b)
Participant	Section 10.7(b)
Participation	Section 10.7(b)
PCB	"Hazardous Materials"
Properties	Section 8.23(a)
Required Contribution Date	Section 4.8(c)
Revolving Borrowing	Section 2.1(b)
Revolving Loan Origination Fee	Section 5.1(i)
Origination Fees	Section 5.1(i)
Specified Equity Contribution	Section 4.8(c)
Successor Rate Index	Section 4.7
Term Loan	Section 2.1(a)
Term Loan Origination Fee	Section 5.1(i)
Texas Business Day	"Business Day"

1.3 *Construction*. Unless otherwise expressly provided in this Agreement or the context requires otherwise (a) the singular shall include the plural, and vice versa, (b) words of a gender include the other gender, (c) all accounting terms shall be construed in accordance with the Accounting Principles or SAP, as the context requires (subject to Section 1.4), (d) all references to time are Plano, Texas time, (e) monetary references are to Dollars, (f) all references to "Articles," "Sections," "Exhibits," and "Schedules" are to the Articles, Sections, Exhibits, and Schedules of and to this Agreement, (g) headings used in this Agreement and each other Loan Document are for convenience only and shall not be used in connection with the interpretation of any provision hereof or thereof, (h) references to any Person include that Person's heirs, personal representatives, successors, and permitted assigns, that Person as a debtor in possession, and any receiver, trustee, liquidator, conservator, custodian, or similar party appointed for such Person or all or substantially all of its assets, (i) references to any Law include every amendment or restatement to it, rule and regulation adopted under it, and successor or replacement for it, (j) references to a particular Loan Document include each amendment, modification, or supplement to or restatement of it made in accordance with this Agreement and such Loan Document, (k) references (if any) to consolidated Financial Statements of Borrower and Subsidiaries (or any other Person) or to the determination of any amount for Borrower and Subsidiaries (or any other Person) on a consolidated basis or any similar reference shall, in each case, be deemed to include each variable interest entity that Borrower (or any other Person) is required to consolidate pursuant to FASB ASC 810 as if such variable interest entity were a Subsidiary as defined herein, and (l) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

1.4 *Changes in Accounting Principles, SAP or NAIC Ratings*. All financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with Accounting Principles or SAP (as applicable), applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Financial Statements described in Section 5.1(l), and in conformity with the applicable requirements of any Governmental Authority (including each applicable Insurance Regulator), except as otherwise specifically prescribed herein. If at any time there occurs (a) any change in the Accounting Principles (including the adoption of IFRS) that would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either Borrower or Lender shall so request, Borrower and Lender shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in SAP; provided that, until so amended, (a) such ratio or requirement shall continue to be computed in accordance with SAP prior to such change therein and (b) Borrower shall, and shall cause each Subsidiary to, provide to Lender financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in SAP. Notwithstanding the foregoing, for purposes of determining compliance with any covenant (including the computation of any financial covenant) contained herein, Debt of Borrower and Subsidiaries shall be deemed to be carried at 100% of the outstanding principal amount thereof, and the effects of FASB ASC 825 and FASB ASC 470-20 on financial liabilities shall be disregarded.

1.5 *Letter of Credit Amounts*. Unless otherwise specified herein, the amount of a Letter of Credit at any time shall be deemed to be the undrawn amount of such Letter of Credit in effect at such time; provided, however, that with respect to any Letter of Credit that, by its terms or the terms of any Issuer Document related thereto, provides for one or more automatic increases in the stated amount thereof, the amount of such Letter of Credit shall be deemed to be the maximum stated amount of such Letter of Credit after giving effect to all such increase, whether or not such maximum stated amount is in effect at such time.

ARTICLE II
LOANS

2.1 *Loans*.

(a) Term Loan. Subject to the terms and conditions set forth herein, Lender shall make a term loan to Borrower in the amount of $50,000,000 (the "*Term Loan*"). The Term Loan may not be repaid and then reborrowed.

(b) Revolving Loan. Subject to the terms and conditions of this Agreement, Lender agrees to fund requested borrowings (each a "*Revolving Borrowing*") to Borrower from time to time on any Business Day during the period from the Agreement Date to the Revolving Loan Maturity Date; *provided*, *however*, that after giving effect to any Revolving Borrowing, the Outstanding Amount shall not exceed the Revolving Loan Commitment plus all Letter of Credit Liabilities.

Prior to the Revolving Loan Maturity Date, Borrower may borrow, repay and reborrow the Revolving Loan, all in accordance with this Agreement.

2.2 *Borrowings*.

(a) Term Loan. Upon satisfaction of the applicable conditions set forth in Section 5.1, Lender shall make the proceeds of the Term Loan available to Borrower by wire transfer of immediately available funds to an account of the Borrower nominated by the Borrower.

(b) Revolving Borrowings.

(i) Revolving Borrowing Request. Each Revolving Borrowing shall be made upon Borrower's irrevocable notice to Lender, which may be given by telephone. Each such notice must be received by Lender not later than 3:00 p.m. three (3) Texas Business Days prior to the requested date of any Revolving Borrowing. Any telephonic notice must be confirmed promptly by delivery to Lender of a written Revolving Loan Notice appropriately completed and signed by an Authorized Signatory of Borrower. Each Revolving Loan Notice (whether telephonic or written) shall specify (i) the requested date of the Revolving Borrowing (which shall be a Texas Business Day), (ii) the principal amount of the Revolving Borrowing to be borrowed, and (c) whether such loan will be a Prime Rate Loan or Eurodollar Rate Loan. Each Revolving Loan shall be in the principal amount of $50,000.00 or any whole multiple of $50,000.00 in excess thereof or the unused portion of the Revolving Loan Commitment.

(ii) Funding of Revolving Loan. Upon satisfaction of the applicable conditions set forth in Article V, Lender shall make the proceeds of each Revolving Borrowing available to Borrower by wire transfer of immediately available funds to an account of the Borrower nominated by the Borrower.

2.3 *Repayment*.

(a) Term Loan. The entire principal of the Term Loan Note (less any amounts pre-paid by the Borrower), together with all accrued unpaid interest thereon, shall be due and payable on the Term Loan Maturity Date.

(b) Revolving Loan. The entire principal of the Revolving Borrowing (less any amounts pre-paid by the Borrower), together with all accrued unpaid interest thereon, shall be due and payable on the Revolving Loan Maturity Date.

2.4 *Mandatory Prepayment of Revolving Loan*. On each date that the Outstanding Amount exceeds the Revolving Loan Commitment plus all Letter of Credit Liabilities, Borrower shall prepay the Revolving Loan in an amount equal to such excess. Each mandatory prepayment shall be accompanied by all accrued interest thereon.

2.5 *Voluntary Prepayments.* Borrower may, upon notice to Lender, at any time or from time to time voluntarily prepay any Loan in whole or in part without premium or penalty; *provided*, that (a) such notice must be received by Lender not later than 3:00 p.m. one (1) Texas Business Day prior to the date of prepayment, and (b) any prepayment shall be in a principal amount of $100,000 or a whole multiple of $100,000 in excess thereof (or, if less, the unpaid principal amount of the applicable Loan). Each such notice shall specify the Loan to be prepaid and the date and amount of such prepayment. If such notice is given by Borrower, Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Each voluntary prepayment shall be accompanied by all accrued and unpaid interest on the amount prepaid, together with any additional amounts required pursuant to Article IV. All prepayments shall be applied (a) *first*, to accrued, unpaid interest on the amount prepaid (to the extent not paid in accordance with the preceding sentence) and (b) *second*, to outstanding principal in the reverse order of the scheduled maturity dates. If any notice of prepayment fails to specify the Loan to be prepaid, such prepayment shall be applied (a) *first*, to the Term Loan and (b) *second*, to the Revolving Loan.

2.6 *Termination and Reduction of Commitments*.

(a) Borrower shall have the right to terminate or reduce the Revolving Loan Commitment at any time. Each reduction shall be in the minimum amount of $100,000.00 and a whole multiple of $100,000.00 in excess thereof.

(b) On the Revolving Loan Maturity Date, the Revolving Loan Commitment shall automatically reduce to zero and terminate.

(c) Borrower shall not have any right to rescind any termination or reduction. Once terminated or reduced, the Revolving Loan Commitment may not be reinstated.

2.7 *Interest on Loans Generally*.

(a) Subject to the provisions of Sections 2.7(b) and 2.9, the Term Loan Note and the Revolving Borrowing shall bear interest on the outstanding principal amount thereof for the applicable Interest Period at a rate per annum equal to the lesser of (A) the Highest Lawful Rate and (B) either (i) the Eurodollar Basis *plus* the Applicable Margin or (ii) the Prime Basis plus the Applicable Margin, depending on the rate type chosen by Borrower.

(b) Subject to the provisions of Section 2.9, if at any time Lender has notified Borrower that the provisions of Sections 4.2 or 4.3 apply, all of the Loans shall become a Prime Rate Loan effective on the date on which Lender determines that the provisions of Section 4.2 apply or on the last day of the current Interest Period applicable to such Loan if Lender determines that the provisions of Section 4.3 apply and Borrower may not elect that any Loan be a Eurodollar Rate Loan until Lender notifies Borrower that the provisions of Sections 4.2 and 4.3 no longer apply.

(c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

(d) Notwithstanding any provision of this Agreement, Borrower may not elect that any Loan be a Prime Rate Loan, nor may Lender convert any Loan to be a Prime Rate Loan, unless Lender has notified Borrower that the provisions of Sections 4.2 or 4.3 apply; *provided*, any Loan can bear interest at the Default Rate regardless of whether the provisions of Sections 4.2 or 4.3 apply. Each Loan shall be either a Eurodollar Rate Loan or a Prime Rate Loan. Only one Interest Period can be in effect at any time with respect to each Loan.

2.8 *Computations*. Subject to Section 10.11, interest on each Loan and any other amounts due hereunder shall be calculated on the basis of actual days elapsed over a year of 360 days, unless such calculation would result in a rate greater than the Highest Lawful Rate, in which case interest shall be computed on the basis of a year of 365 days or 366 days in a leap year, as the case may be. Nothing herein shall be deemed to obligate Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

2.9 *Interest After an Event of Default*. (a) If an Event of Default exists (other than an Event of Default specified in Section 9.1(d) or (e)), at the option of Lender, and (b) if an Event of Default specified in Section 9.1(d) or (e) exists, automatically and without any action by Lender, the Obligations shall bear interest at a rate per annum equal to the lesser of (i) the Default Rate and (ii) the Highest Lawful Rate. Such interest shall be payable on the earlier of demand and the Term Loan Maturity Date (with respect to the Term Loan) and the Revolving Loan Maturity Date (with respect to the Revolving Loan), and shall accrue until the earlier of (a) waiver or cure (to the satisfaction of Lender) of the applicable Event of Default, (b) agreement by Lender to rescind the charging of interest at the Default Rate, or (c) payment in full of the Obligations. Lender shall not be required to accelerate the maturity of any Loan, to exercise any other rights or remedies under the Loan Documents, or to give notice to Borrower of the decision to charge or the charging of interest at the Default Rate. Lender will undertake to give notice to Borrower within ten (10) Business Days after the effective date of the charging of interest at the Default Rate; *provided*, any failure of Lender to give, or of Borrower to receive, any such notice of the charging of interest at the Default Rate shall not impair Lender's right to charge or receive, or Borrower's obligation to pay, interest as the Default Rate. The determination of the Default Rate by Lender shall be *prima facie* evidence as to the facts thereof. Notwithstanding any other provision of any Loan Document, the failure of Borrower to pay interest accrued at the Default Rate shall not be an additional Event of Default unless Borrower fails to pay to Lender the amount of the accrued and unpaid interest within five (5) Business Days after Lender sends notice to Borrower of the charging of interest at the Default Rate and the amount of interest that is due and payable.

2.10 *Late Charge*. If a payment is made more than ten (10) days after it is due, Borrower will be charged (subject to Section 10.11), in addition to interest, a delinquency charge of (a) 5.00% of the unpaid portion of the regularly scheduled payment, or (b) $250.00, whichever is less. Additionally, if (a) the amount of the Term Loan (plus all accrued but unpaid interest) is not paid in full on the Term Loan Maturity Date, Borrower will be charged (subject to Section 10.11) a delinquency charge of (i) 5.00% of the sum of the outstanding principal balance (plus all accrued but unpaid interest), or (ii) $250.00, whichever is less, and (b) the amount of the Revolving Loan (plus all accrued but unpaid interest) is not paid in full on the Revolving Loan Maturity Date, Borrower will be charged (subject to Section 10.11) a delinquency charge of (i) 5.00% of the sum of the outstanding principal balance (plus all accrued but unpaid interest), or (ii) $250.00, whichever is less. Borrower agrees with Lender that the charges set forth herein are reasonable compensation to Lender for the handling of such late payments.

2.11 *Unused Line Fee*. Upon receipt of an invoice from Lender, the Borrower shall pay to Lender on the first Interest Payment Date following the end of each calendar quarter, a fee in an amount equal to one quarter of one percent (0.25%) per annum of the daily unused portion of the Revolving Loan Commitment for such calendar quarter, as reasonably determined by Lender. Such fee shall be paid in arrears.

2.12 *Manner of Payment*.

(a) Each payment (including prepayments) by Borrower of the principal of or interest on each Loan and any other amount owed under this Agreement or any other Loan Document shall be made not later than 3:00 p.m. on the date specified for payment under this Agreement to Lender at Lender's Principal Office, in Dollars constituting immediately available funds. All payments received by Lender after 3:00 p.m. shall be deemed received on the next succeeding Texas Business Day and any applicable interest and fees shall continue to accrue.

(b) If any payment under this Agreement or any other Loan Document shall be specified to be made upon a day which is not a Business Day, it shall be made on the next succeeding day which is a Texas Business Day. Any extension of time shall in such case be included in computing interest and fees, if any, in connection with such payment.

(c) Borrower shall pay principal, interest, fees and all other amounts due under the Loan Documents without deduction for set off or counterclaim or any deduction whatsoever.

(d) Except as otherwise specified in this Agreement, if some but less than all amounts due from Borrower are received by Lender, Lender shall apply such amounts in the following order of priority: (i) *first*, to the payment of Lender's expenses then due and payable, if any; (ii) *second*, to the payment of all other fees then due and payable; (iii) *third*, to the payment of interest then due and payable on the Term Loan; (iv) *fourth*, to the payment of interest then due and payable on the Revolving Loan; (v) *fifth*, to the payment of all other amounts not otherwise referred to in this Section 2.12(d) then due and payable under the Loan Documents; (vi) *sixth*, to the payment of principal then due and payable on the Term Loan; and (vii) *seventh*, to the payment of principal then due and payable on the Revolving Loan.

2.13 *Booking the Loans*. Lender may make, carry or transfer the Loans at, to or for the account of any of its offices or the office of any Affiliate of Lender.

2.14 *Collateral and Guaranty on Agreement Date*. Payment of the Secured Obligations is secured and guaranteed on the Agreement Date by (a) a perfected first priority security interest in all of the authorized, issued and outstanding capital stock and other Equity Interests of each Guarantor and HSIC, the percentage of the authorized, issued and outstanding capital stock and other Equity Interests described in the Borrower Pledge Agreement, and the other assets of Borrower described as Collateral in the Borrower Pledge Agreement, (b) a perfected first priority security interest in the assets of Borrower described as Collateral in the Borrower Security Agreement, and (c) the Guaranty of the Secured Obligations by each Guarantor.

ARTICLE III
LETTERS OF CREDIT

3.1 *Letters of Credit*. Subject to the terms and conditions of this Credit Agreement and the applicable Letter of Credit Agreement, Lender agrees to issue, amend, renew or extend one or more Letters of Credit for the account of Borrower and, in the sole discretion of Lender, another Obligor from time to time from the Agreement Date to and including the Letter of Credit Termination Date; *provided*, *however*, that the Letter of Credit Liabilities will not at any time exceed the amount of the Letter of Credit Commitment. Each Letter of Credit (i) will expire at or prior to the close of business on the Letter of Credit Termination Date, (ii) will be payable in Dollars, (iii) will have a minimum face amount of $1,000,000 and a maximum face amount equal to the lesser of $20,000,000.00 and the unused portion of the Letter of Credit Commitment, (iv) must support a transaction that is entered into in the course of Borrower's, or such other Obligor's, insurance-related business, (v) must be satisfactory in form and substance to Lender, and (vi) will be issued pursuant to such documents and instruments (including, without limitation, the Letter of Credit Agreement) as Lender may require. Furthermore, if a draw is made on any Letter of Credit, Lender shall be reimbursed within three (3) Business Days of such draw or Borrower shall be deemed to have requested a Revolving Borrowing in the amount of such draw effective as the date of the honoring of such draw under the applicable Letter of Credit by Lender.

3.2 *Procedure for Issuing, Amending, Renewing and Extending Letters of Credit*. Each request for issuance of a Letter of Credit will be made on at least five (5) Business Days prior notice from Borrower and, if applicable, the Obligor who is the proposed applicant with respect to such Letter of Credit to Lender by means of a written Letter of Credit request describing the transaction proposed to be supported thereby and specifying (a) the requested date of issuance (which will be a Business Day), (b) the face amount of the Letter of Credit, (c) the expiration date of the Letter of Credit, (d) the name and address of the beneficiary, (e) the form of the draft and any other documents required to be presented at the time of any drawing (such notice to set forth the exact wording of such documents or to attach copies thereof), and (f) the name of the proposed applicant for such Letter of Credit. Borrower and, if applicable, the Obligor who is the proposed applicant with respect to such Letter of Credit shall also submit and execute a Letter of Credit Agreement in connection with any request for issuance of a Letter of Credit. Each request for amendment, renewal or extension of an existing Letter of Credit shall be in writing, identifying the applicable Letter of Credit by Letter of Credit number and specifying the date of amendment, renewal or extension (which shall be a Business Day) and such other information as shall be necessary to amend, renew or extend such Letter of Credit. Borrower and, if applicable, the Obligor who is the applicant with respect to such Letter of Credit shall also submit and execute a Letter of Credit Agreement in connection with any request to amend, renew or extend an existing Letter of Credit. Lender is not obligated to amend, renew or extend any Letter of Credit. Lender may refuse to issue, amend, extend or renew a Letter of Credit in the event Lender would be prohibited from doing so under any applicable Governmental Requirement.

3.3 *Letter of Credit Fee*. Borrower and the Obligor who is the applicant with respect to the applicable Letter of Credit, jointly and severally, will pay to Lender (a) a letter of credit commission payable on the date each Letter of Credit is issued or renewed in an amount equal to one and one-half percent (1.50%) of the face amount of such Letter of Credit, and (b) such other fees, commissions, costs and out– of–pocket expenses charged or incurred by Lender with respect to issuance, amendment, renewal or extension of or any payments made with respect to any Letter of Credit.

3.4 *Obligations Absolute*. The joint and several obligations of Borrower and each other Obligor who is an applicant with respect to a Letter of Credit under this Credit Agreement and the other Loan Documents (including without limitation the joint and several obligation of Borrower and each such other Obligor to reimburse Lender for draws under any Letter of Credit), and the obligations of each other Obligor, will be absolute, unconditional, and irrevocable, and will be performed strictly in accordance with the terms of this Credit Agreement and the other Loan Documents under all circumstances whatsoever, including without limitation the following circumstances:

(a) Any lack of validity or enforceability of any Letter of Credit or any other Loan Document;

(b) Any amendment or waiver of or any consent to departure from any Loan Document;

(c) The existence of any claim, set-off, counterclaim, defense or other rights which Borrower, its Subsidiaries, any Obligor, or any other Person may have at any time against any beneficiary of any Letter of Credit, Lender, or any other Person, whether in connection with this Credit Agreement or any other Loan Document or any unrelated transaction;

(d) Any statement, draft, or other document presented under any Letter of Credit proving to be forged, fraudulent, invalid, or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(e) Payment by Lender under any Letter of Credit against presentation of a draft or other document which does not comply with the terms of such Letter of Credit; or

(f) Any other circumstance or happening whatsoever (including any circumstance or happening that might otherwise constitute a defense available to, or a discharge of, Borrower or any other Obligor), whether or not similar to any of the foregoing.

3.5 *Limitation of Liability*. Borrower and each other Obligor assume all risks of the acts or omissions of any beneficiary of any Letter of Credit with respect to its use of such Letter of Credit. None of Lender, any of Lender's Affiliates or any of their respective officers or directors will have any responsibility or liability to Borrower, any other Obligor or any other Person for: (a) the failure of any draft to bear any reference or adequate reference to any Letter of Credit, or the failure of any documents to accompany any draft at negotiation, or the failure of any Person to surrender or to take up any Letter of Credit or to send documents apart from drafts as required by the terms of any Letter of Credit, or the failure of any Person to note the amount of any instrument on any Letter of Credit, each of which requirements, if contained in any Letter of Credit itself, it is agreed may be waived by Lender or any of its Affiliates, (b) errors, omissions, interruptions, or delays in transmission or delivery of any messages, (c) the validity, sufficiency, or genuineness of any draft or other document, or any endorsement(s) thereon, even if any such draft, document or endorsement should in fact prove to be in any and all respects invalid, insufficient, fraudulent, or forged or any statement therein is untrue or inaccurate in any respect, (d) the payment by Lender or any of its Affiliates to the beneficiary of any Letter of Credit against presentation of any draft or other document that does not comply with the terms of the Letter of Credit, or (e) any other circumstance whatsoever in making or failing to make any payment under a Letter of Credit. Notwithstanding the foregoing, Borrower and the other Obligor who is the applicant for the applicable Letter of Credit will have a claim against Lender and its applicable Affiliates, and Lender and its applicable Affiliates will be liable to Borrower and such other Obligor, to the extent of any direct, but not consequential, damages suffered by Borrower or such other Obligor which Borrower or such Obligor proves in a final nonappealable judgment were caused by (a) Lender's or such Affiliate's willful misconduct or gross negligence in determining whether documents presented under any Letter of Credit complied with the terms thereof or (b) Lender's or such Affiliate's willful failure to pay under any Letter of Credit after presentation to it of documents strictly complying with the terms and conditions of such Letter of Credit. Lender and its applicable Affiliates may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

3.6 *Additional Costs in Respect of Letters of Credit*. If as a result of any Change in Law there will be imposed, modified, or deemed applicable any Tax, reserve, special deposit, or similar requirement against or with respect to or measured by reference to Letters of Credit issued or to be issued hereunder or Lender's or any of its Affiliate's commitment to issue Letters of Credit hereunder, and the result will be to increase the cost to Lender or such Affiliate of issuing or maintaining any Letter of Credit or its commitment to issue Letters of Credit hereunder or reduce any amount receivable by Lender or such Affiliate hereunder in respect of any Letter of Credit (which increase in cost, or reduction in amount receivable, will be the result of Lender's or such Affiliate's reasonable allocation of the aggregate of such increases or reductions resulting from such event), then, upon demand by Lender or such Affiliate, Borrower and each other Obligor who is an applicant with respect to the applicable Letter of Credit, jointly and severally, agree to pay Lender or such Affiliate, from time to time as specified by Lender or such Affiliate, such additional amounts as will be sufficient to compensate Lender or such Affiliate for such increased costs or reductions in amount. A statement as to such increased costs or reductions in amount incurred by Lender or such Affiliate, submitted by Lender or such Affiliate to Borrower and, if applicable, such other Obligor, will be conclusive as to the amount thereof, provided that the determination thereof is made on a reasonable basis.

3.7 *Cash Collateral Pledge*. Upon request of Lender or any Affiliate of Lender that issued a Letter of Credit (a) to the extent not paid by Borrower or any other Obligor who is an applicant with respect to the applicable Letter of Credit in accordance with the terms of this Agreement, on demand, at any time, if Lender or such Affiliate has honored any drawing request on any Letter of Credit issued hereunder, (b) if as of the Expiration Date any Letter of Credit may remain outstanding and partially or wholly drawn, (c) with respect to Letters of Credit with an expiry date after the Expiration Date, fifteen Business Days prior to the Expiration Date, or (d) upon the occurrence of an Event of Default (and automatically without any requirement for notice or request), Borrower and such other Obligor, jointly and severally, shall immediately cash collateralize the Letters of Credit in an amount equal to one hundred ten percent (110%) of the amounts available to be drawn under the Letters of Credit according to the records of Lender or its Affiliates. Such cash collateral shall be pledged to Lender or its Affiliates as a first and prior perfected security interest in favor of Lender and its Affiliates and Borrower and such other Obligor shall execute such further documents as required by Lender or its Affiliates to perfect its Lien on the cash collateral.

3.8 *Letter of Credit Issuer*. As used in each Loan Document, "Lender" shall mean and include Prosperity Bank and each of its Affiliates in its capacity as issuer of Letters of Credit hereunder, or any successor issuer of Letters of Credit hereunder.

ARTICLE IV
TAXES AND ILLEGALITY

4.1 *Taxes*.

(a) Payments Free of Taxes. Except as provided below in this Section 4.1, any and all payments by any Obligor to or for the account of Lender under any Loan Document (or to or for the account of any Affiliates of Lender with respect to a Letter of Credit or Letter of Credit Agreement) shall be made free and clear of and without deduction for any and all present or future income, stamp or other Taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, now or hereafter imposed, and all liabilities with respect thereto, excluding, in the case of Lender, or its Principal Office, applicable lending office, or any branch or Affiliate thereof, Taxes imposed on or measured by its net income (including net income Taxes imposed by means of a backup withholding Tax), franchise Taxes, branch Taxes, Taxes on doing business or Taxes measured by or imposed upon the overall capital or net worth of Lender or its Principal Office, applicable lending office, or any branch or Affiliate thereof, in each case imposed: (i) by the jurisdiction under the Laws of which Lender or its Principal Office, applicable lending office, branch or Affiliate is organized or is located, or in which the chief executive office of Lender is located, or any nation within which such jurisdiction is located or any political subdivision thereof; or (ii) by reason of any present or former connection between the jurisdiction imposing such Tax and Lender or its Principal Office, applicable lending office, branch or Affiliate (all such Taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and liabilities (other than Excluded Taxes), the "*Indemnified Taxes*"). If an Obligor shall be required by any Laws to deduct any Indemnified Taxes from or in respect of any sum payable under any Loan Document to Lender or an Affiliate of Lender, (i) the sum payable shall be increased as necessary to yield to Lender or such Affiliate an amount equal to the sum it would have received had no such deductions been made, (ii) such Obligor shall make such deductions, (iii) such Obligor shall pay the full amount deducted to the relevant taxation authority or other Governmental Authority in accordance with Applicable Laws, and (iv) promptly (but in no event later than thirty days) after the date of such payment, such Obligor shall furnish to Lender or such Affiliate the original or a certified copy of a receipt evidencing payment thereof.

(b) Other Taxes. In addition, each Obligor shall pay any and all present or future stamp, court or documentary Taxes and any other excise or property Taxes or charges or similar levies which arise from any payment made under any Loan Document or Letter of Credit Document or from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, any Loan Document or Letter of Credit Document ("*Other Taxes*").

(c) Indemnity. **BORROWER SHALL INDEMNIFY LENDER AND EACH OF ITS AFFILIATES FOR (i) THE FULL AMOUNT OF INDEMNIFIED TAXES AND OTHER TAXES (INCLUDING ANY INDEMNIFIED TAXES OR OTHER TAXES IMPOSED OR ASSERTED BY ANY GOVERNMENTAL AUTHORITY ON AMOUNTS PAYABLE UNDER THIS SECTION 4.1) PAID BY LENDER, AND (ii) ANY LIABILITY (INCLUDING PENALTIES, INTEREST AND EXPENSES) ARISING THEREFROM OR WITH RESPECT THERETO, IN EACH CASE WHETHER OR NOT SUCH INDEMNIFIED TAXES OR OTHER TAXES WERE CORRECTLY OR LEGALLY IMPOSED OR ASSERTED BY THE RELEVANT GOVERNMENTAL AUTHORITY. PAYMENT UNDER THIS SECTION 4.1(c) SHALL BE MADE WITHIN THIRTY (30) DAYS AFTER THE DATE LENDER MAKES A DEMAND THEREFOR. IF ANY INDEMNIFIED TAXES RECEIVED BY LENDER PURSUANT TO THIS SECTION 4.1 ARE LATER DETERMINED IN A NON-APPEALABLE JUDGMENT OF A GOVERNMENTAL AUTHORITY (INCLUDING A COURT OF COMPETENT JURISDICTION) TO HAVE BEEN INCORRECTLY OR ILLEGALLY IMPOSED AND SUCH INDEMNIFIED TAXES ARE RECEIVED BY LENDER FROM THE APPLICABLE GOVERNMENTAL AUTHORITY, LENDER SHALL PAY TO BORROWER THE AMOUNT OF SUCH INDEMNIFIED TAXES PAID TO LENDER BY BORROWER, BUT NOT IN EXCESS OF THE AMOUNT RECEIVED BY BORROWER FROM SUCH GOVERNMENTAL AUTHORITY.**

4.2 *Illegality*. If Lender reasonably determines that any Change in Law on or after the Agreement Date has made it unlawful, or that any Governmental Authority on or after the Agreement Date has asserted that it is unlawful, for Lender or its applicable lending office to make, maintain or fund a Eurodollar Rate Loan, or materially restricts the authority of Lender to purchase or sell, or to take deposits of, Dollars in the applicable offshore Dollar market, or to determine or charge interest rates based upon the Eurodollar Basis, then, on notice thereof by Lender to Borrower, any obligation of Lender to make or maintain a Eurodollar Rate Loan shall be suspended until the circumstances giving rise to such determination no longer exist, and Lender shall notify Borrower that such circumstances no longer exist and that the obligation of Lender to make or maintain a Eurodollar Rate Loan is no longer suspended. Upon the date of such notice, each Eurodollar Rate Loan shall convert to a Prime Rate Loan. Lender agrees to designate a different lending office if such designation will avoid the need for such notice and will not, in the good faith judgment of Lender, otherwise be materially disadvantageous to Lender.

4.3 *Inability to Determine Rates*. If (a) Lender reasonably determines in connection with any request for or maintenance of a Eurodollar Rate Loan or any determination of the Eurodollar Basis that (i) Dollar deposits are not being offered to banks in the applicable offshore Dollar market for the applicable amount and applicable term, or (ii) adequate and reasonable means do not exist for determining the Eurodollar Basis, or (b) Lender reasonably determines that the Eurodollar Basis for a Eurodollar Rate Loan does not adequately and fairly reflect the cost to Lender of funding or maintaining such Eurodollar Rate Loan, Lender will promptly notify Borrower. Thereafter, the obligation of Lender to make or maintain a Eurodollar Rate Loan shall be suspended until the conditions giving rise to the suspension no longer exist, and Lender shall notify Borrower that the obligation of Lender to make or maintain a Eurodollar Rate Loan is no longer suspended. Upon the last day of each Interest Period existing on the date of such notice, the Eurodollar Rate Loan shall convert to a Prime Rate Loan.

4.4 *Increased Cost and Reduced Return; Capital Adequacy; Reserves on Eurodollar Rate Loans; Compensation for Losses*.

(a) Increased Costs Generally. If Lender determines (in its reasonable discretion) that any Change in Law shall (i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, Lender (except any reserve requirement contemplated by Section 4.4(d)); (ii) subject Lender to any Taxes (other than Indemnified Taxes and Other Taxes, as to which Sections 4.1(a) and (b) shall apply) on its loans, loan principal, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or (iii) impose on Lender or the London interbank market any other condition, cost or expense affecting this Agreement or any Eurodollar Rate Loan made by Lender; and the result of any of the foregoing shall be to increase the cost to Lender of making, converting to, continuing or maintaining any Loan the interest on which is determined by reference to the Eurodollar Basis (or of maintaining its obligation to make any Loan), or to increase the cost to Lender or to reduce the amount of any sum received or receivable by Lender hereunder (whether of principal, interest or any other amount) then, upon written request of Lender in accordance with Section 4.4(c), Borrower will pay to Lender such additional amount or amounts as will compensate Lender for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If Lender reasonably determines that any Change in Law affecting Lender or any lending office of Lender or Lender's holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on Lender's capital or on the capital of Lender's holding company, if any, as a consequence of this Agreement, the commitment of Lender to make or maintain any Loan made by Lender to a level below that which Lender or Lender's holding company would have achieved but for such Change in Law (taking into consideration Lender's policies and the policies of Lender's holding company with respect to capital adequacy), then from time to time, upon request of Lender in accordance with Section 4.4(c), Borrower will pay to Lender such additional amount or amounts as will compensate Lender or Lender's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of Lender setting forth the amount or amounts necessary to compensate Lender or its holding company, as the case may be, as specified in Section 4.4(a) or (b) and delivered to Borrower shall be conclusive absent manifest error; *provided* that such certificate sets forth details of Lender's reasonable calculations regarding such amount. Borrower shall pay Lender the amount shown as due on any such certificate within ten (10) Business Days after receipt thereof.

(d) Reserves on Eurodollar Rate Loans. Borrower shall pay to Lender, as long as Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "*Eurocurrency liabilities*"), additional interest on the unpaid principal amount of each Eurodollar Rate Loan equal to the actual costs of such reserves allocated to such Eurodollar Rate Loan by Lender (as determined by Lender in good faith, which determination shall be conclusive), which shall be due and payable on each date on which interest is payable on each Loan, *provided* Borrower shall have received at least ten (10) days' prior notice of such additional interest from Lender. If Lender fails to give notice ten (10) days prior to the relevant payment date, such additional interest shall be due and payable ten (10) days from receipt of such notice.

(e) Delay in Requests. Failure or delay on the part of Lender to demand compensation pursuant to the foregoing provisions of this Section 4.4 shall not constitute a waiver of Lender's right to demand such compensation, *provided* that Borrower shall not be required to compensate Lender pursuant to the foregoing provisions of this Section 4.4 for any increased costs incurred or reductions suffered more than six (6) months prior to the date that Lender notifies Borrower of the Change in Law giving rise to such increased costs or reductions and of Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six-month period referred to above shall be extended to include the period of retroactive effect thereof).

4.5 *Compensation for Losses*. Upon demand of Lender from time to time, Borrower shall promptly compensate Lender for and hold Lender harmless from any actual loss or expense incurred by it as a result of any failure by Borrower to prepay, borrow, continue or convert any Loan (including a conversion of a Eurodollar Rate Loan to a Prime Rate Loan pursuant to Section 2.7(b)) on the date or in the amount notified by Borrower, including any actual loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain any Loan or from fees payable to terminate the deposits from which such funds were obtained.

For purposes of calculating amounts payable by Borrower to Lender under this Section 4.5 and subject to Section 10.11, Lender shall be deemed to have funded each Eurodollar Rate Loan made by it at the Eurodollar Basis for such Eurodollar Rate Loan by a matching deposit or other borrowing in the London interbank Eurodollar market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan was in fact so funded.

4.6 *Matters Applicable to all Requests for Compensation*. Any demand or notice delivered by Lender to Borrower claiming compensation under this Article IV shall be in writing and shall certify (a) that one of the events described in this Article IV has occurred, describing in reasonable detail the nature of such event and (b) as to the amount or amounts for which Lender seeks compensation hereunder, setting forth in reasonable detail the basis for and calculations of such compensation. Such certification shall be conclusive in the absence of manifest error. In determining such amount, Lender may use any reasonable averaging and attribution methods.

4.7 *Cessation of Eurodollar Basis*. Notwithstanding anything to the contrary, if the Eurodollar Basis ceases to exist, the interest rate applicable to all Eurodollar Rate Loans will be equal to the sum of the Successor Rate Index plus the Applicable Margin. The "Successor Rate Index" is, at Lender's written election, either of the following (as may be adjusted by Lender as established below): (i) any replacement index selected by Lender that measures comparable borrowing rates for minimal credit risks over comparable time periods as the Eurodollar Basis; (ii) any alternate rate promulgated or identified by Federal Reserve Board as a U.S. dollar Eurodollar Basis alternative; (iii) any alternate rate administered and identified by the Bank of England as a preferred Eurodollar Basis alternative; or (iv) the rate (called the "SOFR Rate") per annum equal to the weighted average of the rates on secured overnight federal funds transactions with members of the Federal Reserve System, as published for each Business Day by the Federal Reserve Bank of New York. In the case of each of the four successor/alternate rate options identified above, each may be adjusted by Lender to reflect differences between the chosen successor/alternate rate or index and the Eurodollar Basis described above. For example, if Lender determines that the SOFR Rate is determined to be .05% lower than the Eurodollar Basis, then the Successor Rate Index based on the SOFR Rate will be the actual rate (assume, for example only, 1.50%) adjusted by .05% for a Successor Rate Index, in this example, of 1.55%.

4.8 *Right to Cure*.

(a) If (i) for any fiscal quarter, Borrower fails to comply with Section 7.1 or (ii) for any fiscal year, Borrower fails to comply with Section 7.2 (in each such case, a "*Financial Covenant Event of Default*"), and no other Default or Event of Default exists, Borrower shall have the right to cure any or all of the Financial Covenant Event of Default on the following terms and conditions (the "*Cure Right*"):

(b) If Borrower desires to cure a Financial Covenant Event of Default, Borrower shall deliver to Lender an irrevocable written notice of Borrower's intent to cure (a "*Cure Notice*") no later than five (5) Business Days following the date on which (i) a Compliance Certificate under Section 6.2(c) should have been delivered for (i) the fiscal quarter as to which the Financial Covenant Event of Default under Section 7.1 occurred, or (ii) the calendar year as to which the Financial Covenant Event of Default under Section 7.2 occurred. The Cure Notice shall set forth the method by which the Borrower will cure the Financial Covenant Event of Default, which may include but is not limited to providing a calculation of the applicable Specified Equity Contribution, and contain a representation and warranty that no other Default or Event of Default exists.

(c) If Borrower delivers a Cure Notice, Borrower may elect at its sole discretion to sell Qualified Equity Interests for cash consideration or receive a cash contribution in any amount not less than the Specified Equity Contribution, no later than twenty-five (25) days after receipt by Lender of the Cure Notice (the "*Required Contribution Date*"). The "*Specified Equity Contribution*" shall equal an amount by which the Surplus of any RIC as of the last day of a fiscal quarter or Total Adjusted Capital of Borrower's Subsidiaries as at the last day of a calendar year, as applicable, would have to be increased in order to have prevented the occurrence of the applicable Financial Covenant Event of Default; provided that in no event shall such Specified Equity Contribution exceed such required amount and such Specified Equity Contribution shall be treated as an increase in Surplus for such fiscal quarter or Total Adjusted Capital solely for such calendar year , as applicable. The Specified Equity Contribution may not exceed (i) more than $10,000,000 with regard to any single election per this Section 4.8(c) and (ii) no more than $20,000,000 in aggregate cash consideration with regard to all elections per this Section 4.8(c) during the term of this Agreement.

(d) Borrower may exercise the Cure Right no more frequently than (i) one time during any calendar year of Borrower and (ii) two times during the term of this Agreement; provided Borrower may not exercise the Cure Right during two consecutive fiscal quarters.

(e) Upon the receipt by any RIC or Subsidiary, as applicable, from Borrower in cash of the Specified Equity Contribution on or before the Required Contribution Date, the applicable Financial Covenant Event of Default for the applicable fiscal quarter or day shall be deemed cured and shall no longer be considered continuing for purposes of this Agreement. If Borrower elects any other method to cure the Financial Covenant Event of Default, the Financial Covenant Event of Default must be cured no later than twenty-five (25) days after receipt by Lender of the Cure Notice and thereafter shall be deemed cured and shall no longer be considered continuing for purposes of this Agreement.

(f) This Section may not be relied on for any purpose other than with respect to a Financial Covenant Event of Default.

4.9 *Survival*. All of Borrower's obligations under this Article IV shall survive the funding of each Loan and payment in full of all Obligations.

ARTICLE V
CONDITIONS PRECEDENT

5.1 *Conditions Precedent to the Term Loan, the initial Revolving Borrowing and the Initial Letter of Credit*. The obligation of Lender to make the Term Loan and the initial Revolving Borrowing and to issue the initial Letter of Credit is subject to (a) receipt by Lender of the following items which are to be delivered, in form and substance reasonably satisfactory to Lender and (b) satisfaction of the following conditions, in form and substance reasonably satisfactory to Lender:

(a) Borrower Certificate. A certificate of officers acceptable to Lender of Borrower certifying as to (i) the incumbency of the officers signing such certificate and the Loan Documents to which it is a party, (ii) an original certified copy of its Articles of Incorporation, certified as true, complete and correct by the secretary of state of Delaware as of a date acceptable to Lender, (iii) a copy of its By-Laws, as in effect on the Agreement Date, (iv) a copy of the resolutions of its directors authorizing it to execute, deliver and perform the Loan Documents to which it is a party, (v) a Certificate of Good Standing issued by the secretary of state of Delaware (certified as of a date acceptable to Lender), (vi) no Default or Event of Default existing, (vii) no Material Adverse Change having occurred since December 31, 2018, and (viii) either (A) attached copies of all consents, licenses and approvals required in connection with the execution, delivery and performance by Borrower and the validity against Borrower of the Loan Documents to which it is a party, and such consents, licenses and approvals shall be in full force and effect, or (B) that no such consents, licenses or approvals are so required.

(b) Guarantor Certificate. A certificate of officers acceptable to Lender of Guarantor certifying as to (i) the incumbency of the officers signing such certificate and the Loan Documents to which it is a party, (ii) an original certified copy of its Articles of Incorporation, certified as true, complete and correct by the secretary of state of Delaware as of a date acceptable to Lender, (iii) a copy of its By-Laws (or similar Organizational Document), as in effect on the Agreement Date, (iv) a copy of the resolutions of the appropriate governance board authorizing it to execute, deliver and perform the Loan Documents to which it is a party, (v) a Certificate of Good Standing issued by the secretary of state of Delaware or Texas (certified as of a date acceptable to Lender) as applicable and (vi) either (A) attached copies of all consents, licenses and approvals required in connection with the execution, delivery and performance by Guarantor and the validity against Guarantor of the Loan Documents to which it is a party and such consents, licenses and approvals shall be in full force and effect, or (B) that no such consents, licenses or approvals are so required.

(c) Notes. The duly executed Revolving Loan Note and Term Loan Note, each payable to the order of Lender.

(d) Security Documents. The duly executed and completed (i) Borrower Pledge Agreement executed by Borrower, dated as of the Agreement Date, (ii) Borrower Security Agreement executed by Borrower, dated as of the Agreement Date, and (iii) Guaranty executed by Guarantor, dated as of the Agreement Date.

(e) UCC and Lien Searches. With respect to each of Borrower and Guarantor, searches of the Uniform Commercial Code, Tax lien, judgment, bankruptcy court and other records of the jurisdiction of organization of such Person (and each predecessor entity) and the jurisdiction in which the chief executive office of such Person (and each predecessor entity) is located, as Lender may require.

(f) Certificates. Certificates evidencing all capital stock and other Equity Interests in each Guarantor and HSIC in which a Bank Lien has been granted pursuant to the Borrower Pledge Agreement, which certificates shall not contain any restriction on transfer not acceptable to Lender in its reasonable discretion, together with undated, blank stock and other powers executed by the owner of the stock or other Equity Interest evidenced by such certificates (with signatures guaranteed as required by Lender).

(g) Opinion of Obligors' and Subsidiaries' Counsel. Opinions of counsel to, or general counsel of, Obligors and Subsidiaries addressed to Lender and in form and substance satisfactory to Lender, dated the Agreement Date, and covering such matters incident to the transactions contemplated hereby, as Lender may reasonably request.

(h) Obligor Proceedings. Evidence that all corporate, partnership and limited liability company proceedings of each Obligor and each other Person (other than Lender) taken in connection with the transactions contemplated by this Agreement and the other Loan Documents, shall be reasonably satisfactory in form and substance to Lender; and Lender shall have received copies of all documents or other evidence which Lender may reasonably request in connection with such transactions.

(i) Origination Fees. Borrower shall have paid to Lender (i) a fee in the amount of $250,000.00 ("*Term Loan Origination Fee*") for its commitment to make the Term Loan, and (ii) a fee in the amount of $62,500.00 (the "*Revolving Loan Origination Fee*" and together with the Term Loan Origination Fee, the "*Origination Fees*") for its commitment to make the Revolving Loan Commitment available to Borrower. The Origination Fees have been fully earned by Lender and are due and payable to Lender whether or not the applicable transaction actually closes, unless the failure to close is solely as a result of any action or inaction of Lender. Borrower shall pay the Origination Fees at closing of the Loan, if not previously paid.

(j) *Pro Forma* Balance Sheet. A *pro forma* consolidated balance sheet of Borrower, prepared as at the Agreement Date and after giving effect to execution, delivery and effectiveness of the Loan Documents and the funding of and application of the proceeds of the Term Loan and any Revolving Borrowing made on the Agreement Date based on Accounting Principles.

(k) Compliance Certificate. A Compliance Certificate, dated the Agreement Date and signed by an Authorized Signatory who is the chief financial officer or chief executive officer of Borrower, confirming compliance with the financial covenants set forth therein as of a date acceptable to Lender.

(l) Current Financial Statements. A copy of the audited Financial Statements, showing the consolidated financial condition and results of operations of Borrower as of, and for the fiscal year ended on, December 31, 2018.

(m) Insurance. Evidence that insurance required by the Loan Documents is in effect.

(n) Existing Debt. A schedule of all Existing Debt, in detail satisfactory to Lender.

(o) Existing Litigation. A schedule of all Existing Litigation, in detail satisfactory to Lender.

(p) Investment Portfolio and Policy. (i) A schedule of all Existing Investments of each Obligor and each RIC and (ii) a copy of the complete currently effective Investment Policy for each such Person, and Lender shall be satisfied with the investment portfolio and the currently effective Investment Policy for Borrower Group.

(q) Governmental Approvals and Notices. Evidence reasonably satisfactory to Lender that each Obligor and each RIC have obtained all necessary consents of and made all necessary notice filings with all applicable Governmental Authorities related to the transactions the subject of the Loan Documents, if any.

(r) Expenses. Subject to Section 10.3(a), reimbursement for all Attorney Costs incurred through the Agreement Date.

5.2 *Conditions Precedent to all Revolving Borrowings*. The obligation of Lender to make each Revolving Borrowing (including the initial Revolving Borrowing) is subject to fulfillment of the following conditions immediately prior to or contemporaneously with each such Revolving Loan:

(a) Representations and Warranties. All of the representations and warranties of each Obligor and each Subsidiary under this Agreement and each other Loan Document, which, pursuant to Section 8.26, are made at and as of the time of each Revolving Borrowing, shall be true and correct when made (except to the extent applicable to a specific date) both before and after giving effect to the application of the proceeds of such Revolving Borrowing.

(b) No Default or Event of Default. There shall not exist a Default or Event of Default at the time of and immediately after giving effect to such Revolving Borrowing.

(c) Notices; Documents. Lender shall have received all notices and documents required by Section 2.2(a) as a condition to the related Revolving Borrowing.

(d) Litigation. There shall be no Litigation pending against, or, to Borrower's knowledge, threatened in writing against any Obligor or any Subsidiary, or in any other manner relating directly and adversely to any Obligor or any Subsidiary, or any of their respective properties, in any court or before any arbitrator of any kind or before or by any Governmental Authority which could reasonably be expected to (A) with respect to Litigation other than Insurance Litigation, result in a judgment against or liability of an Obligor or any Subsidiary in an amount equal to or greater than $1,000,000 (net of insurance issued by unrelated third parties), or (B) with respect to Insurance Litigation, result in a judgment against or liability of Borrower, either Guarantor or HISC in an amount equal to or greater than $1,000,000 in excess of the policy limits under the related Insurance Contract, or (C) have a Material Adverse Effect.

(e) Material Adverse Change. There shall have occurred no change in the business, assets, operations or conditions (financial or otherwise) of any Obligor or any RIC since December 31, 2018, which caused or could reasonably be expected to cause a Material Adverse Effect.

ARTICLE VI
AFFIRMATIVE COVENANTS

From the Agreement Date, and so long as this Agreement is in effect and until final payment in full of the Obligations, the termination of the Revolving Loan Commitment, all Letters of Credit have expired, been terminated or Cash Collateralized on terms satisfactory to Lender and the performance of all other obligations of all Obligors under this Agreement and each other Loan Document, Borrower will, and will cause each other Obligor and each Subsidiary to:

6.1 *General Covenants*.

(a) Payment of Taxes and Claims. Pay and discharge as the same become due and payable (i) all lawful Taxes imposed upon it, its income or profits or upon any of its property before the same shall be in default, and all lawful claims for labor, rentals, materials and supplies which, if unpaid, might become a Lien upon any of its property or any part thereof; *provided*, *however*, that such Person shall not be required to cause to be paid or discharged any such Tax, assessment or claim so long as the validity thereof shall be contested in good faith by appropriate proceedings, and adequate book reserves in accordance with Accounting Principles (with respect to each member of Borrower Group, other than a RIC) or SAP (with respect to each RIC) shall be established with respect thereto; *provided*, *further*, such Person shall pay such Tax, charge or claim (A) before any property subject thereto shall be sold to satisfy a Lien (if the property subject to such Lien is not subject to a Bank Lien), and (B) before any property subject thereto shall be subject to a Lien (other than a Permitted Lien) to secure such Tax, assessment or claim (if the property which may be subject to such Lien is subject to a Bank Lien) (ii) all lawful claims which, if unpaid, would by Law become or be secured by a Lien upon its property, and (iii) all Debt as and when due, but subject to any subordination provisions applicable to such Debt.

(b) Maintenance of Existence. Do all things necessary to preserve and keep in full force and effect its existence as a corporation, limited liability company, partnership, insurance company or other entity type, as appropriate.

(c) Preservation of Property. Keep its properties which are necessary to continue business, whether owned in fee or otherwise, or leased, in good operating condition, ordinary wear and tear excepted, and comply with all material leases to which it is a party or under which it occupies or uses property so as to prevent any material loss or forfeiture thereunder.

(d) Insurance. Maintain in force with financially sound and reputable insurers, policies with respect to its property and business against such casualties and contingencies and in such amounts as is customary in the case of entities engaged in the same or similar lines of business of comparable size and financial strength.

(e) Compliance with Applicable Laws. Comply in all respects with the requirements of all applicable Laws and orders of any Governmental Authority, including any Insurance Regulator having authority over such Person, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect.

(f) Licenses. Obtain and maintain all material licenses, permits, franchises or other governmental authorizations necessary to the ownership of its properties or to the conduct of the business of such Person, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect.

6.2 *Accounts, Reports and Other Information*. Maintain a system of accounting in accordance with Accounting Principles or SAP, and in conformity with the applicable requirements of any Governmental Authority (including each applicable Insurance Regulator), and Borrower shall furnish, or cause each Obligor and each Subsidiary to be furnished, to Lender the following:

(a) Annual Financial Statements.

(i) As soon as available, but in any event within one-hundred twenty (120) days after the last day of each fiscal year of Borrower (commencing with the fiscal year ended December 31, 2019), annual audited Financial Statements in format substantially similar to the Financial Statements provided to Lender prior to the Agreement Date, showing the consolidated financial condition and results of operations of Borrower as of, and for the year ended on, such last day, accompanied by (A) a certificate of the chief financial officer, chief accounting officer or other chief executive officer of Borrower, which certificate shall state that said Financial Statements have been prepared in accordance with Accounting Principles and present fairly, in all material respects, the financial condition of Borrower and its results of operations; and (B) a description of all Contingent Debt and Off-Balance Sheet Liabilities of Borrower.

(ii) With respect to each RIC, within fifteen (15) days after the first to occur of (A) the required filing date (as established by Law or the applicable Insurance Regulator), and (B) the date on which actually filed, audited annual Financial Statements, prepared in accordance with SAP, showing the financial condition and results of operations of such RIC, as of, and for the year ended on, such last day, accompanied by a description of all material Contingent Debt and Off-Balance Sheet Liabilities of such RIC.

(iii) With respect to each RIC, within fifteen (15) days after the first to occur of (A) the required filing date (as established by Law or the applicable Insurance Regulator), and (B) the date on which actually filed, annual Financial Statements prepared in the form of convention blanks prescribed by NAIC, as filed with each Insurance Regulator.

(iv) With respect to each RIC, if required to be filed with an Insurance Regulator, within fifteen (15) days after the first to occur of (A) the required filing date (as established by Law or the applicable Insurance Regulator), and (B) the date on which actually filed, a copy of the "Statement of Actuarial Opinion" and "Management Discussion and Analysis" for such RIC (prepared in accordance with SAP) for such fiscal year of such RIC and as filed with the applicable Insurance Regulator in compliance with the requirements thereof.

(b) Quarterly Financial Statements.

(i) Within sixty (60) days after the last day of each of the first three (3) fiscal quarters of Borrower, (A) unaudited Financial Statements in format substantially similar to the Financial Statements provided to Lender prior to the Agreement Date, showing the consolidated financial condition and results of operations of Borrower as of, and for the quarter ended on, such last day (subject to year-end adjustment), which shall include an income statement for the fiscal year through such last day, prepared in accordance with Accounting Principles; (B) a certificate of the chief financial officer, chief accounting officer or other chief executive officer of Borrower, which certificate shall state that said Financial Statements have been prepared in accordance with Accounting Principles and present fairly, in all material respects, the financial condition of Borrower and its results of operations, subject to normal year-end adjustments and the absence of footnotes, as applicable; and (C) a description of all Contingent Debt and Off-Balance Sheet Liabilities of Borrower.

(ii) With respect to each RIC, within fifteen (15) days after the first to occur of (A) the required filing date (as established by Law or the applicable Insurance Regulator), and (B) the date on which actually filed, unaudited quarterly Financial Statements of such RIC, prepared in accordance with SAP, showing the financial condition and results of operations of such RIC as of, and for the quarter ended on, such last day (subject to year-end adjustment), in the form of quarterly financial statements prescribed by NAIC, together with a description of all material Contingent Debt and Off-Balance Sheet Liabilities of such RIC.

(c) Compliance Certificate. Within sixty (60) days after the end of each of the first three (3) fiscal quarters and within seventy-five (75) days after the end of the last fiscal quarter of Borrower, a Compliance Certificate executed by an Authorized Signatory who is the chief financial officer, chief accounting officer or other chief executive officer of Borrower.

(d) Annual Budget. As soon as available, but in any event not later than sixty (60) days after the first day of each fiscal year of Borrower starting with fiscal year 2020, (i) a copy of the final annual operating budget and projections of Borrower, each Guarantor and HSIC for such fiscal year, as presented to Borrower's Board of Directors, and (ii) beginning with the results of the 2019 fiscal year budget, a comparison of the annual operating budget of Borrower, each Guarantor and HSIC for the preceding fiscal year to actual results for such fiscal year.

(e) Other Reports. Subject to any confidentiality obligations of Borrower, whether by contract or otherwise, and to any provisions of any Law prohibiting such disclosure, promptly upon request by Lender, a copy of such regular or periodic reports and any registration statements, prospectuses and written communications in respect thereof filed by Borrower with any Governmental Authority (to the extent not otherwise required to be provided to Lender pursuant to Section 6.2).

(f) Notice of Default. Promptly upon becoming aware of the happening of any condition or event which constitutes an Event of Default or Default, a written notice specifying the nature and period of existence thereof and what action it is taking and propose to take with respect thereto.

(g) Notice of Litigation. Promptly upon becoming aware of the existence of any Litigation (but no later than thirty (30) days after the filing thereof) involving any Obligor or any Subsidiary, (i) which could reasonably be expected to involve its payment of $5,000,000 or more (net of reinsurance or insurance coverage issued by unrelated third parties), or (ii) which, under normal operating standards, could reasonably be expected to result in a reserve being established in excess of $5,000,000 (net of reinsurance or insurance coverage issued by unrelated third parties), a written notice describing such Litigation.

(h) Notice of Claimed Default. Promptly upon becoming aware that the holder of any note or any evidence of indebtedness or other security or payee of any obligation in an amount of $2,000,000 or more has given written notice or commenced an enforcement action, suit or proceeding with respect to a claimed default or event of default thereunder, a written notice specifying the notice given or action taken by such holder and the nature of the claimed default or event of default thereunder and what action it is taking or proposes to take with respect thereto.

(i) Notice from Governmental Authority. Promptly upon receipt thereof, information with respect to and copies of any notices received from any Governmental Authority relating to an order, ruling, statute or other Law or information which could reasonably be expected to have a Material Adverse Effect.

(j) Investment Policy. Within one hundred twenty (120) days after the last day of each fiscal year of Borrower, a copy of the Investment Policy of Borrower (if any), and each RIC then in effect, if different then Investment Policies previously delivered to Lender.

(k) Licenses. Promptly after receipt thereof, and in any event within ten (10) Business Days after receipt thereof, copies of any written notice of actual suspension, termination or revocation of any license of any RIC or other Subsidiary by any Insurance Regulator, including any request by an Insurance Regulator which commits a RIC or other Subsidiary to take or refrain from taking any action or which otherwise affects the authority of such RIC or other Subsidiary to conduct its business.

(l) Material Adverse Effect. Promptly upon the occurrence or knowledge of the existence thereof, written notice describing a condition, situation or event that has or could reasonably be expected to have a Material Adverse Effect.

(m) Senior Manager. Not later than thirty (30) days after the termination of the employment or responsibilities or authority of any Senior Manager, notice of such termination, along with a plan to replace such person or delegate the responsibilities of such person to another employee or officer.

(n) Requested Information. Subject to any confidentiality obligations of Borrower, whether by contract or otherwise, and to provisions of any Law prohibiting such disclosure, with reasonable promptness, such other data, including any management reports to the Board of Directors of any Obligor or any Subsidiary, and information as from time to time may be reasonably requested by Lender.

6.3 *Inspection*. (a) If no Event of Default exists, upon ten (10) Business Days' prior notice by Lender, and not more than once per calendar year, and (b) if an Event of Default exists, upon three (3) Business Days prior notice by Lender, permit Lender or any representatives of Lender to visit and inspect during normal business hours any of its properties, to examine all books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss the affairs, finances and accounts with its officers, employees and Auditors (and by this provision Borrower authorizes Auditors to discuss with Lender and its representatives the affairs, finances and accounts of Borrower and its Subsidiaries); *provided however*, Borrower shall not be required to disclose any documents that would negate attorney-client privilege or attorney- work product. All costs and expenses of Lender related to each inspection conducted when (i) an Event of Default does not exist shall be at Lender's sole expense, and (ii) an Event of Default exists shall be a part of the Obligations and paid by Borrower to Lender within ten (10) Business Days after written demand by Lender.

6.4 *Compliance with ERISA*. Comply with ERISA in all material respects, and (a) at all times make contributions within the time limits imposed by Law to meet the minimum funding standards set forth in ERISA with respect to any Plan; (b) notify Lender as soon as reasonably practicable of any fact which it knows or should know, including but not limited to any Reportable Event, arising in connection with any Plan which could reasonably be expected to result in termination thereof by the PBGC or for the appointment by a Governmental Authority of a trustee to administer the Plan; and (c) furnish to Lender upon such request such additional information concerning any Plan as Lender may reasonably request.

6.5 *Material Obligations*. Borrower will, and will cause each Subsidiary to, pay and perform its obligations, including Tax liabilities, that, if not paid, could not reasonably be expected to result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) Borrower or such Subsidiary has set aside on its books adequate reserves with respect thereto and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

6.6 *Maintenance of Priority of Bank Liens*. Upon the request of Lender from time to time it shall perform such acts and duly authorize, execute, acknowledge, deliver, file, and record such additional assignments, pledge agreements, security agreements, control agreements and other agreements, documents, instruments, and certificates as Lender reasonably may deem necessary or appropriate in order to perfect and maintain the Bank Liens (and the priority thereof) in favor of Lender and preserve and protect the rights of Lender in respect of the Collateral.

6.7 *Indemnity*. BORROWER AND EACH OTHER OBLIGOR SHALL DEFEND, PROTECT, INDEMNIFY AND HOLD HARMLESS LENDER AND EACH OF ITS AFFILIATES, AND EACH OF THEIR RESPECTIVE (INCLUDING SUCH AFFILIATES') OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, ATTORNEYS, SHAREHOLDERS AND CONSULTANTS (INCLUDING, WITHOUT LIMITATION, THOSE RETAINED IN CONNECTION WITH THE SATISFACTION OR ATTEMPTED SATISFACTION OF ANY OF THE CONDITIONS SET FORTH HEREIN) OF EACH OF THE FOREGOING (COLLECTIVELY, "*LENDER INDEMNITEES*") FROM AND AGAINST ANY AND ALL LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, CLAIMS, COSTS, EXPENSES AND DISBURSEMENTS OF ANY KIND OR NATURE WHATSOEVER (INCLUDING, WITHOUT LIMITATION, THE REASONABLE ATTORNEY COSTS FOR SUCH INDEMNITEES IN CONNECTION WITH ANY INVESTIGATIVE, ADMINISTRATIVE OR JUDICIAL PROCEEDING, WHETHER OR NOT SUCH INDEMNITEES SHALL BE DESIGNATED A PARTY THERETO), IMPOSED ON, INCURRED BY, OR ASSERTED AGAINST SUCH INDEMNITEES (WHETHER DIRECT, INDIRECT OR CONSEQUENTIAL AND WHETHER BASED ON ANY FEDERAL, STATE, OR LOCAL LAWS AND REGULATIONS, UNDER COMMON LAW OR AT EQUITABLE CAUSE, OR ON CONTRACT, TORT OR OTHERWISE, OR ARISING FROM OR CONNECTED WITH THE PAST, PRESENT OR FUTURE OPERATIONS OF BORROWER, ANY OTHER OBLIGOR OR ANY SUBSIDIARY OR THEIR RESPECTIVE PREDECESSORS IN INTEREST, OR THE PAST, PRESENT OR FUTURE ENVIRONMENTAL CONDITION OF PROPERTY OF BORROWER, ANY OTHER OBLIGOR OR ANY SUBSIDIARY), IN ANY MANNER RELATING TO OR ARISING OUT OF THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, OR ANY ACT, EVENT OR TRANSACTION OR ALLEGED ACT, EVENT OR TRANSACTION RELATING OR ATTENDANT THERETO, THE MAKING OF THE TERM LOAN, THE LETTER OF CREDIT COMMITMENT AND ANY OTHER EXTENSION OF CREDIT, INCLUDING IN CONNECTION WITH, OR AS A RESULT, ANY NEGLIGENCE OF LENDER (OTHER THAN THOSE MATTERS RAISED EXCLUSIVELY BY A PARTICIPANT AGAINST LENDER AND NOT BORROWER OR ANOTHER OBLIGOR) OR ANY OTHER INDEMNITEE, OR THE USE OR INTENDED USE OF THE PROCEEDS OF THE TERM LOAN OR A LETTER OF CREDIT, OR IN CONNECTION WITH ANY INVESTIGATION OF ANY POTENTIAL MATTER COVERED HEREBY, BUT EXCLUDING ANY CLAIM OR LIABILITY TO THE EXTENT THAT IT ARISES AS THE RESULT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF ANY INDEMNITEE, AS FINALLY JUDICIALLY DETERMINED BY A COURT OF COMPETENT JURISDICTION OR ARBITER (COLLECTIVELY, "*INDEMNIFIED MATTERS*"). IN ADDITION, BORROWER AND EACH OTHER OBLIGOR SHALL PERIODICALLY, UPON REQUEST, REIMBURSE EACH INDEMNITEE FOR ITS REASONABLE LEGAL AND OTHER ACTUAL EXPENSES (INCLUDING THE COST OF ANY INVESTIGATION AND PREPARATION) INCURRED IN CONNECTION WITH ANY INDEMNIFIED MATTER. THE REIMBURSEMENT, INDEMNITY AND CONTRIBUTION OBLIGATIONS UNDER THIS SECTION SHALL BE IN ADDITION TO ANY LIABILITY WHICH BORROWER AND EACH OTHER OBLIGOR MAY OTHERWISE HAVE, SHALL EXTEND UPON THE SAME TERMS AND CONDITIONS TO EACH INDEMNITEE, AND SHALL BE BINDING UPON AND INURE TO THE BENEFIT OF ANY SUCCESSORS, ASSIGNS, HEIRS AND PERSONAL REPRESENTATIVES OF BORROWER, EACH OTHER OBLIGOR, LENDER AND ALL OTHER INDEMNITEES. THIS SECTION SHALL SURVIVE ANY TERMINATION OF THIS AGREEMENT AND PAYMENT OF THE OBLIGATIONS.

6.8 *Further Assurances*. Promptly upon request by Lender, (a) correct any material defect or error that may be discovered in any Loan Document or in the execution, acknowledgment, filing or recordation thereof, and (b) do, execute, acknowledge, deliver, record, re -record, file, re-file, register and re-register any and all such further acts, deeds, certificates, assurances and other instruments as Lender may reasonably require from time to time in order to (i) carry out more effectively the purposes of the Loan Documents, (ii) to the fullest extent not prohibited by Applicable Law, subject any Obligor's properties, assets, rights or interests to the Liens now or hereafter intended to be covered by any of the Loan Documents, (iii) perfect and maintain the validity, effectiveness and priority of any of the Loan Documents and any of the Liens intended to be created thereunder and (iv) assure, convey, grant, assign, transfer, preserve, protect and confirm more effectively unto Lender the rights granted or now or hereafter intended to be granted to Lender under any Loan Document or under any other instrument executed in connection with any Loan Document to which any Obligor or any of its Subsidiaries is or is to be a party, and cause each of its Subsidiaries to do so.

6.9 *2019-1 Notes*.

(a) Upon request from Lender, Borrower shall deliver to Lender the name and contact information (including mail and courier delivery addresses of each holder of each 2019-1 Note and the principal amount of each such Note.

(b) Not later than three Business Days after Borrower's receipt of a 2019-1 Note Blockage Notice, Borrowers shall send a copy of such 2019-1 Note Blockage Notice to each holder of a 2019-1 Note and each other Person entitled to notice of the matters stated therein, by trackable delivery method, as supply Lender with copies of proof of delivery.

ARTICLE VII
NEGATIVE COVENANTS

From the Agreement Date and so long as this Agreement is in effect and until final payment in full of the Obligations, and the termination of the Revolving Loan Commitment and the performance of all other obligations of all Obligors under this Agreement and each other Loan Document:

7.1 *Minimum Fixed Charges Coverage Ratio*. Borrower shall not permit the Fixed Charges Coverage Ratio to be less than 1.50 to 1.00, as at the last day of each fiscal quarter of Borrower.

7.2 *Total Adjusted Capital*. Borrower shall not permit the aggregate Total Adjusted Capital of its Subsidiaries to be less than the greater of (a) the amount required for the Risk-Based Capital Ratio of such Subsidiaries (on an aggregate basis), net of any adjustment for Asset Risk – Credit (R3), to equal or exceed 350%, and (b) $300,000,000, in each case, as at the last day of each calendar year.

7.3 *Limitation on Debt*. Borrower shall not, and shall not permit any Obligor or any Subsidiary to, create, incur, assume, become or be liable in any manner in respect of, or suffer to exist, any Debt except Permitted Debt, debt owed to any Obligor and any guarantees of Guarantor entered in the normal course of business.

7.4 *Limitation on Liens*. Borrower shall not, and shall not permit any Obligor or any Subsidiary to, create or suffer to be created or to exist any Lien upon (a) any of its properties or assets (other than capital stock and other Equity Interest subject to a Bank Lien) except Permitted Liens or (b) any capital stock or other Equity Interest of any Subsidiary which is subject to a Bank.

7.5 *Issuance of Stock; Negative Pledge*. Borrower shall not, and shall not permit any Subsidiary to, directly or indirectly issue, sell, assign, pledge, or otherwise encumber or dispose of any of such Subsidiary's Equity Interests, except (a) Liens created pursuant to (i) the Loan Documents, or (ii) Laws (which Liens pursuant to such Laws secure only the Obligations), (b) the issuance or sale of Equity Interests of Subsidiaries of Borrower (provided that such Person was a Subsidiary prior to giving effect to such issuance or sale) to Borrower or a wholly-owned Subsidiary, and (c) the issuance or sale of Equity Interests of Subsidiaries (other than a RIC) constituting profits interests to management of Borrower or a Subsidiary. Borrower shall not, and shall not permit any Obligor or any Subsidiary to, permit to exist any agreement (except as provided in a Loan Document and in provisions of Applicable Law) that prohibits, restricts or creates a condition to the ability of any Obligor or any other Person to grant to Lender a security interest (which shall be a perfected first priority security interest) in any security or other Equity Interest of any Subsidiary.

7.6 *Acquisition of Assets*. Borrower shall not, and shall not permit any Obligor or any Subsidiary to, incur any Debt, other than Permitted Debt, owed to any person or entity other than Lender to acquire any assets, property or business of any Person, or participate in any joint venture, or create or acquire any Subsidiary, except (a) assets acquired in the ordinary course of business and (b) Investments permitted by Section 7.11.

7.7 *Disposition of Assets*. Except with respect to the Loss Portfolio Transfer, Borrower shall not, and shall not permit any Obligor or any Subsidiary to, directly or indirectly, Dispose of all or any portion of any of its properties (including any Equity Interest of any Subsidiary) and assets except (a) assets (other than Investments of Borrower, or any other Obligor) Disposed of in the ordinary course of business to Persons who are not Affiliates of Borrower, (b) Investments (other than Equity Interests subject to a Bank Lien) Disposed of in accordance with the Investment Policy of Borrower, or any other Obligor, as applicable and (c) other Dispositions of assets; *provided*, the aggregate net proceeds (or if such Disposition does not result in net proceeds, the book value of such asset) of all such Dispositions does not exceed $25,000,000 in any calendar year so long as the applicable Person receives cash in amount equal or greater to the value of such asset and the funds are held at the entity level and not distributed. Dispositions of Equity Interest of Borrower shall not be restricted by this Section 7.7 if no Event of Default under Section 9.1(l) exists after giving effect to such Disposition.

7.8 *Merger and Consolidation*. Borrower shall not, and shall not permit any Obligor or any Subsidiary to, directly or indirectly consolidate with or merge into any other Person, or permit any other Person to consolidate with or merge into it; *provided*, (a) any Subsidiary (other than a RIC) may merge with any other Subsidiary (other than a RIC); *provided*, if any Equity Interest of either of such Subsidiaries is subject to a Bank Lien, all Equity Interest of the surviving entity shall be subject to a Bank Lien (which Lien shall be perfected and first priority), (b) Borrower and any Subsidiary (other than a RIC) may merge if Borrower is the surviving entity, and (c) any Person may merge with Borrower or any other Obligor; *provided* Borrower or such Obligor is the surviving entity.

7.9 *Dividends*. Borrower shall not (a) declare or pay any Dividend or (b) permit any Subsidiary to acquire any Equity Interest of Borrower; *provided*, if no Default or Event of Default exists prior to or after giving effect thereto, Borrower may declare and pay cash dividends to holders of Equity Interests of Borrower.

7.10 *Restrictive Agreements*. Borrower shall not, and shall not permit any Obligor or any Subsidiary to, enter into or be subject to any Restrictive Agreement other than (a) this Agreement and any other Loan Document, (b) provisions of Applicable Law, (c) agreements between or among Borrower, any Subsidiary and any Governmental Authority or any Insurance Regulator, complete copies of which agreements have been delivered to Lender, (d) customary restrictions and conditions contained in agreements related to the sale of the Equity Interests or property of a Subsidiary that is to be sold and such sale is permitted hereunder and (e) with respect to clause (a)(iii) of the definition of Restrictive Agreements, customary provisions in leases or other contracts restricting the assignment thereof.

7.11 *Advances, Investments and Loans*. Borrower shall not, and shall not permit any Obligor or any Subsidiary to, make or maintain any Investment, except:

(a) Obligors and Subsidiaries may, subject to and in accordance with Applicable Law, invest in (i) cash, (ii) Cash Equivalents, (iii) Investment Grade Securities, and (iv) other Investments otherwise permitted by this Agreement, the company's investment policy or by state guidelines and the regulations of Texas', South Dakota's and/or Oklahoma's Department of Insurance, as applicable;

(b) Obligors and Subsidiaries may acquire and hold receivables owing to them in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(c) Loans and advances to (i) employees for business related travel expenses, moving expenses and commission advances, in each case incurred in the ordinary course of business, and (ii) related parties; provided, the aggregate unpaid principal amount of all loans described in this clause (ii) shall not exceed $1,000,000 at any time; provided this provision does not apply to any loan to an employee pursuant to participation in the Borrower's stock purchase program, or any successor program;

(d) Investments acquired by any Obligor or any Subsidiary (i) in exchange for any other investment held by such Obligor or such Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of the issuer of such other investment or (ii) as a result of a foreclosure by any Obligor or any Subsidiary with respect to any secured investment or other transfer of title with respect to any secured investment in default;

(e) Investments in Subsidiaries;

(f) Other Existing Investments which have been reviewed and approved by Lender and are identified on Schedule 8.8 and other Investments in Captive Insurers to be reviewed and approved by Lender, such approval not to be unreasonably withheld; provided, notwithstanding any other provision of this Agreement (i) the sum of the aggregate amount invested in Captive Insurers by all Obligors, plus the aggregate amount of the commitments of all Obligors to invest in Captive Insurers, shall not exceed $1,000,000, and (ii) other than the Investments described in clause (i), no Obligor shall make or maintain any Investment in any RIC;

(g) Investments permitted pursuant to Section 7.6; and

(h) *ERISA*. Borrower shall not, and shall not permit any Obligor or any Subsidiary to, permit the funding requirements of ERISA with respect to any Plan ever to be less than the minimum required by ERISA or the regulations thereunder, or any Plan ever to be subject to involuntary termination proceedings.

7.12 *Assignment*. Borrower shall not, and shall not permit any Obligor or any Subsidiary to, directly or indirectly, assign or transfer, or attempt to do so, any rights, duties or obligations under the Loan Documents.

7.13 *Transactions with Affiliates*. Borrower shall not, and shall not permit any Obligor or any Subsidiary to, carry on any transaction with any Affiliate that is not a member of Borrower Group except (a) existing agreements with Affiliates, if any, and (b) new agreements that are at arm's length or in compliance with applicable state law and regulations.

7.14 *Business*. Borrower shall not permit any other Obligor or any Subsidiary to, engage in any material line or lines of business activity or any businesses other than the business of selling, producing, brokering or underwriting property and casualty, life, health, annuity, and supplemental insurance or reinsurance and those businesses that are complementary, ancillary or reasonably related thereto.

7.15 *Use of Proceeds*. Borrower shall not use the proceeds of any Loan for any purpose other than (a) refinancing of the Debt of the Borrower, (b) the general corporate purposes of the Borrower and (c) for any other purpose not in violation of Applicable Law.

7.16 *Sanctions*. Borrower shall not, directly or indirectly, use the proceeds of any Loan, or lend, contribute or otherwise make available any Loan or the proceeds of any Loan to any Person, to fund any activities of or business with any Person, or in any Designated Jurisdiction, that, at the time of such funding, is the subject of Sanctions, or in any other manner that will result in a violation by any Person (including any Person participating in the transaction, whether as Lender or otherwise) of Sanctions.

7.17 *2006 Documents*. Borrower shall not, and shall not permit any of its Subsidiaries to, change, amend or restate (or take any action or fail to take any action the result of which is an effective amendment, change or restatement, but excluding modifications occurring after December 22, 2010, which modifications either did not require the consent of, or could not have been prevented by, Borrower or a Subsidiary) or accept any waiver or consent with respect to any 2006 Document, that would result in (a) an increase in the principal, interest, overdue interest, fees or other amounts payable under any 2006 Document, (b) an acceleration of any date fixed for payment or prepayment of principal, interest, fees or other amounts payable under any 2006 Document (including, without limitation, as a result of any redemption), (c) a change in any of the subordination provisions of any 2006 Document, (d) a change in any of the interest deferral provisions of any 2006 Document, or (e) any other change in any term or provision of any 2006 Document that could reasonably be expected to have an adverse effect on the interests of the Lender. No redemption, purchase, Dividend, payment, distribution or other transfer of property shall be made to or for the benefit of any holder of or in respect of any equity security or Debt of HCT, the 2006 Debentures, the 2006 Indenture, the 2006 Preferred Securities, the HCT Declaration of Trust or the 2006 Guaranty other than, if a Default or Event of Default does not exist prior to or after giving effect thereto, payments of regularly scheduled cash interest payments in respect of the 2006 Debentures by Borrower and payment of regularly scheduled cash interest payments in respect of the 2006 Preferred Securities by HCT.

ARTICLE VIII
REPRESENTATIONS AND WARRANTIES

Borrower represents, warrants, and covenants, as follows:

8.1 *Organization and Qualification*. Each Obligor and each Subsidiary (a) is a corporation, limited partnership, limited liability company or insurance corporation, respectively, duly organized, validly existing, and in good standing under the Laws of its jurisdiction of organization; (b) is duly licensed and in good standing as a foreign corporation, limited partnership, limited liability company or insurance corporation, respectively, in each jurisdiction in which the nature of the business transacted or the property owned is such as to require licensing as such except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect; and (c) possesses all requisite corporate, limited partnership, limited liability company, insurance corporation and other necessary power, authority and legal right, to execute, deliver and comply with the terms of the Loan Documents to be executed by it, and for which no approval or consent of any Governmental Authority (including any Insurance Regulator) which has not been obtained is required. No proceeding is pending for the forfeiture of any such Obligor's or any such Subsidiary's Organizational Documents or its dissolution.

8.2 *Authorization; Validity.* The board of directors, partners, managers or other appropriate governance body of each Obligor and each Subsidiary have duly authorized the execution and delivery of the Loan Documents to which such Obligor or such Subsidiary is a party and the performance of their respective terms. No consent of the stockholders, partners, members or other equity holders of any Obligor or any Subsidiary is required as a prerequisite to the validity and enforceability of any Loan Document, other than consents that have been obtained. Each Obligor and each Subsidiary has full corporate, partnership, limited liability company, and other power, authority and legal right to execute and deliver and to perform and observe the provisions of all Loan Documents to which such Obligor or such Subsidiary is a party. Each of the Loan Documents is the legal, valid and binding obligation of each Obligor and each Subsidiary which is a party thereto, enforceable in accordance with its respective terms, subject as to enforcement of remedies to any applicable Debtor Relief Laws and general principals of equity (regardless of whether considered in a proceeding in equity, at law or otherwise).

8.3 *Capitalization*. The issued and outstanding capital stock, partnership interest, limited liability company interest and other Equity Interest of Borrower and each Subsidiary is duly authorized, validly issued, fully paid (except for any outstanding loans to employees pursuant to the stock purchase program) and nonassessable and free of the preemptive rights of any Person. Schedule 8.3 sets forth the correct name as set forth in the currently effective Organizational Documents, the respective jurisdiction of organization, the authorized capital stock, partnership interest, limited liability company interest and other Equity Interest, the issued and outstanding capital stock, partnership interest, limited liability company interest and other Equity Interest, and the percentage ownership (by class of Equity Interest) of Borrower and each Subsidiary. Except as described on Schedule 8.3, neither Borrower nor any Subsidiary has outstanding any securities convertible into or exchangeable for its capital stock, partnership interest, limited liability company interest, or other Equity Interest or outstanding any rights to subscribe for or to purchase, or any options for the purchase of, or any agreements providing for the issuance (contingent or otherwise) of, or any calls, commitments or claims of any character relating to, its capital stock or other Equity Interest. Borrower has no Subsidiaries other than those set forth on Schedule 8.3.

8.4 *Financial Statements*. The financial statements described in Section 5.1(l) heretofore furnished to Lender are complete and correct in all material respects and prepared in accordance with Accounting Principles or SAP, as appropriate, and fairly present the financial condition of the Persons described therein as of the dates indicated and for the periods involved, subject to normal year-end adjustments and the absence of footnotes, as applicable. With respect to Borrower, such financial statements were prepared on a consolidated basis. There are no Contingent Debts, liabilities for Taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments, any of which are material in amount in relation to the financial condition of Borrower or any Subsidiary, except as disclosed on such financial statements. The description of all Off-Balance Sheet Liabilities of Borrower and Subsidiaries heretofore furnished to Lender is complete and correct in all material respects. Since the later of the date of the most recent quarterly Financial Statements described in Section 5.1(l) or the Current Financials, there has been no Material Adverse Change. Neither Borrower nor any Subsidiary has any obligation with respect to any Off-Balance Sheet Liability except as described in Schedule 8.7.

8.5 *Compliance With Laws and Other Matters*. None of any Obligor or any Subsidiary is, nor will the execution, delivery and performance and compliance with the terms of the Loan Documents cause any Obligor or any Subsidiary to be, (a) in violation of its Organizational Documents, (b) in violation of any Law in any respect which could have any Material Adverse Effect, (c) in violation of any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Person or its property is subject, (d) in default under any Material Contract, or (e) in default (nor has any event occurred which, with notice or lapse of time or both, could constitute a default) under any other agreement to which any Obligor or any Subsidiary is a party or it or its property is subject, which could have a Material Adverse Effect.

8.6 *Litigation*. There is no non-Insurance Litigation pending against, or, to Borrower's knowledge, threatened against any Obligor or any Subsidiary, or in any other manner relating directly and adversely to any Obligor or any Subsidiary, or any of their respective properties, in any court or before any arbitrator of any kind or before or by any Governmental Authority which could reasonably be expected to (i) result in a judgment against or liability of any Obligor or any Subsidiary in an amount equal to or greater than $5,000,000 (net of (A) insurance issued by a third party not related to, or an Affiliate of, any Obligor, any Subsidiary or any Person who Controls Borrower, and (B) amounts due and payable to an Obligor and/or a Subsidiary pursuant to a written reimbursement, indemnification or liability assumption agreement between or among such Obligor and/or such Subsidiary and a third party who is not an Obligor or a Subsidiary and which obligation of such third party to reimburse or indemnify, or assume the liability of, such Obligor and/or such Subsidiary is not subject to any defense, setoff or counterclaim), or (ii) have a Material Adverse Effect. There are no outstanding or unpaid final judgments against any Obligor or any Subsidiary.

8.7 *Debt*. Schedule 8.7 sets forth a true and complete list of all Existing Debt in the principal amount (as to each separate item of Debt) equal to or greater than $1,000,000, in each case showing the aggregate principal amount thereof, the name of the lender in respect thereof and the name of the respective borrower and any other entity which has directly or indirectly Guaranteed or secured such Debt.

8.8 *Investments*. Schedule 8.8 sets forth a true and complete list of all Existing Investments of each Obligor and each RIC as of September 30, 2019.

8.9 *Title to Properties*. Each Obligor and each Subsidiary have (a) full corporate, partnership, limited liability company and insurance corporation, as appropriate, power, authority and legal right to own and operate the properties which it now owns, and to carry on the lines of business in which it is now engaged, and (b) good and marketable title to its owned properties, subject to no Lien of any kind, except Permitted Liens.

8.10 *Leases*. Each Obligor and each Subsidiary enjoy peaceful and undisturbed possession of all leases necessary for the operation of its properties and assets the loss of possession of which could reasonably be expected to have a Material Adverse Effect. All such leases are valid and subsisting and are in full force and effect.

8.11 *Taxes*. Each Obligor and each Subsidiary have filed all federal, state and other income tax returns which are required to be filed and has paid all Taxes as shown on said returns, and all Taxes due or payable without returns and all assessments received to the extent that such Taxes or assessments have become due, unless such failure would not have a Material Adverse Effect. All Tax liabilities of each Obligor and each Subsidiary are adequately provided for on the books of such Obligor and such Subsidiary, including interest and penalties. No income tax liability of a material nature has been asserted by taxing authorities for Taxes in excess of those already paid, except such Taxes being contested in good faith by appropriate proceedings. There is no material action, suit, proceeding, investigation, audit, or claim now pending or, to the knowledge of any Obligor or any Subsidiary, threatened by any Governmental Authority regarding any Taxes relating to such Obligor or such Subsidiary. None of any Obligor or any Subsidiary has entered into an agreement or waiver or been requested to enter into an agreement or waiver extending any statute of limitations relating to the payment or collection of taxes of such Obligor or such Subsidiary, or is aware of any circumstances that would cause the taxable years or other taxable periods of such Obligor or such Subsidiary not to be subject to the normally applicable statute of limitations.

8.12 *Use of Proceeds*.

(a) Proceeds of the Term Loan may be used by Borrower (i) to pay of the existing debt of Borrower to Lender; and (ii) for general corporate purposes of the Borrower.

(b) No proceeds of any Revolving Borrowing will be used for any purpose other than the general corporate purposes of the Borrower and other purposes not in violation of Applicable Law or any Loan Document.

(c) None of any Obligor or any Subsidiary is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System) and no part of the proceeds of the Term Loan, any Revolving Borrowing will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock. Not more than 25% of the assets of any Obligor or any Subsidiary are margin stock. None of any Obligor or any Subsidiary or any agent acting on its behalf has taken or will take any action which might cause this Agreement or any of the Loan Documents to violate any regulation of the Board of Governors of the Federal Reserve System or to violate the Securities Exchange Act of 1934, in each case as in effect now or as the same may hereafter be in effect.

8.13 *Possession of Franchises, Licenses, Etc*. Each Obligor and each Subsidiary possess all franchises, certificates, licenses, permits and other authorizations from all Governmental Authorities that (a) are necessary for the ownership, maintenance and operation of its properties and assets, and (b) the loss of possession of which could reasonably be expected to have a Material Adverse Effect, and neither any Obligor nor any Subsidiary is in violation of any thereof. Schedule 8.13 lists, as of the Agreement Date, all of the jurisdictions in which each Obligor and each Subsidiary holds licenses (including, without limitation, licenses or certificates of authority from relevant Insurance Regulators), permits or authorizations to transact business. To the knowledge of Borrower, (a) no such license is the subject of a proceeding for suspension, revocation or limitation or any similar proceedings, and (b) no such suspension, revocation or limitation is threatened by any relevant Governmental Authority. Except as set forth on Schedule 8.13, none of any Obligor, any Subsidiary, any direct holder of any Equity Interest of Borrower, or any officer or employee of any of the foregoing, is subject to any Regulatory Order.

8.14 *Disclosure*. To the Knowledge of the Borrower, and all other Obligors, neither this Agreement nor any other document, certificate or statement furnished to Lender by or on behalf of any Obligor or any Subsidiary in connection herewith contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading. There is no fact known to any Obligor or any Subsidiary and not known to the public generally which materially adversely affects its assets or in the future may (so far as such Obligor or such Subsidiary can now foresee) result in a Material Adverse Effect, which has not been set forth in this Agreement or in the documents, certificates and statements furnished to Lender by or on behalf of such Obligor or such Subsidiary prior to the date hereof in connection with the transactions contemplated hereby.

8.15 *ERISA*. Schedule 8.15 sets forth each Plan. None of any Obligor, any Subsidiary or any ERISA Affiliate has (a) incurred any material accumulated funding deficiency within the meaning of ERISA, or (b) incurred any material liability to the PBGC in connection with any Plan established or maintained by it. No Reportable Event has occurred with respect to any Plan which could reasonably be expected to result in a Material Adverse Change. No Plan is in the process of termination or has an Unfunded Current Liability.

8.16 *Subsidiaries*. There are no restrictions on any Obligor or any Subsidiary which prohibit or otherwise restrict the transfer of cash or other assets from any Subsidiary to Borrower or any other Subsidiary or from Borrower to any Subsidiary, other than prohibitions or restrictions existing under or by reason of (a) this Agreement or the other Loan Documents, and (b) restrictions of Laws and Governmental Authorities having jurisdiction over such Obligor or a Subsidiary and which restrictions are also applicable to similarly situated third parties.

8.17 *Intellectual Property, Etc.* Each Obligor and each Subsidiary have obtained all material patents, trademarks, service marks, trade names, copyrights, licenses and other rights, free from burdensome restrictions, that are necessary for the operation of its businesses as presently conducted and as proposed to be conducted. Borrower does not believe that any slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by any Obligor or any Subsidiary infringes in any material respect upon any rights held by any other Person.

8.18 *Labor Relations, Collective Bargaining Agreements*. None of any Obligor or any Subsidiary is engaged in any unfair labor practice that is reasonably likely to have a Material Adverse Effect. There is (a) no significant unfair labor practice complaint pending against any Obligor or any Subsidiary or, to the knowledge of Borrower, threatened in writing against any of them, before the National Labor Relations Board, and no significant grievance or significant arbitration proceeding arising out of or under any collective bargaining agreement is now pending against any Obligor or any Subsidiary or, to the knowledge of Borrower, threatened in writing against any of them, (b) no significant strike, labor dispute, slowdown or stoppage is pending against any Obligor or any Subsidiary or, to the knowledge of Borrower, threatened in writing against any Obligor or any Subsidiary and (c) to the knowledge of each Obligor and each Subsidiary, no union representation question exists with respect to the employees of any Obligor or any Subsidiary, except (with respect to any matter specified in clause (a), (b) or (c) above, either individually or in the aggregate) such as is not reasonably likely to have a Material Adverse Effect. Neither Borrower nor any Subsidiary is a party to any collective bargaining agreement with respect to employees of such Person.

8.19 *Regulatory Acts*. Neither any Obligor nor any Subsidiary is an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or is subject to regulation under the Public Utility Holding Act of 2005, the Federal Power Act, the Interstate Commerce Act, or any other Law (other than Regulation X of the Board of Governors of the Federal Reserve System and applicable insurance Laws) which regulates the incurring by any Obligor or any Subsidiary of debt, including, but not limited to, Laws regulating common or contract carriers or the sale of electricity, gas, steam, water, or other public utility services.

8.20 *Solvency*. Each Obligor and each Subsidiary is, and Borrower and Subsidiaries on a consolidated basis are, Solvent (both before and after giving effect to the transactions the subject of the Loan Documents). No Obligor is entering into any Loan Document to which such Obligor is a party or its property is subject with the intent of hindering, delaying or defrauding any creditor.

8.21 *No Default*. No Default or Event of Default exists or would result from the consummation of the transactions contemplated by this Agreement or any other Loan Document.

8.22 *Insurance*. The properties of Obligors and Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of Borrower, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owing similar properties in localities where the applicable Obligor or the applicable Subsidiary operates.

8.23 *Environmental Matters*.

(a) To the Knowledge of the Borrower and all other Obligors, the properties owned, operated or leased by each Obligor and each Subsidiary (the "*Properties*") do not contain any Hazardous Materials in amounts or concentrations which (i) constitute, or constituted a violation of, or (ii) could reasonably be expected to give rise to liability under, Environmental Laws, which violations and liabilities, in the aggregate, could reasonably be expected to result in a Material Adverse Effect;

(b) To the Knowledge of the Borrower and all other Obligors, all Environmental Permits have been obtained and are in effect with respect to the Properties and operations of each Obligor and each Subsidiary, and the Properties and all operations of each Obligor and each Subsidiary are in compliance, and have been in compliance, with all Environmental Laws and all necessary Environmental Permits, except to the extent that such non-compliance or failure to obtain any necessary permits, in the aggregate, could not reasonably be expected to result in a Material Adverse Effect;

(c) To the Knowledge of the Borrower and all other Obligors, none of any Obligor or any Subsidiary has received any notice of an Environmental Claim in connection with the Properties or the operations of such Obligor or such Subsidiary or with regard to any Person whose liabilities for environmental matters such Obligor or such Subsidiary has retained or assumed, in whole or in part, contractually, which, in the aggregate, could reasonably be expected to result in a Material Adverse Effect, nor does any Obligor or any Subsidiary have knowledge that any such notice will be received or is being threatened;

(d) To the Knowledge of the Borrower and all other Obligors, Hazardous Materials have not been transported from the Properties, nor have Hazardous Materials been generated, treated, stored or disposed of at, on or under any of the Properties in a manner that could reasonably be expected to give rise to liability under any Environmental Law, nor has any Obligor or any Subsidiary retained or assumed any liability contractually, with respect to the generation, treatment, storage or disposal of Hazardous Materials, which transportation, generation, treatment, storage or disposal, or retained or assumed liabilities, in the aggregate, could reasonably be expected to result in a Material Adverse Effect.

8.24 *Sanctions.* No Obligor, nor any Subsidiary, nor, to the knowledge of any Obligor or any Subsidiary, any director, officer, employee, agent, Affiliate or representative thereof, is an individual or entity currently the subject of any Sanctions, nor is any Obligor or any Subsidiary located, organized or resident in a Designated Jurisdiction.

8.25 *Liens in Favor of Landlord*. There are no statutory or contractual Liens over the personal property of any of Borrower, any other Obligor in favor of any lessor of the real property where the chief executive office and records of Borrower, each other Obligor are located.

8.26 *Survival of Representations and Warranties, Etc*. All representations and warranties made under this Agreement and the other Loan Documents shall be deemed to be made (a) at and as of the Agreement Date, and (b) at and as of the date of the making of each Revolving Borrowing, and each shall be true and correct in all material respects when made, except to the extent applicable to a specific date. All such representations and warranties shall survive until the indefeasible payment of all Obligations, and shall not be waived by the execution by Lender of this Agreement, any investigation or inquiry by Lender as to any matter related to the Loan Documents or Borrower Group, or by the making of any Loan under this Agreement.

ARTICLE IX
DEFAULT

9.1 *Event of Default*. The term "*Event of Default*" as used herein, means the occurrence and continuance of any one or more of the following events (including the passage of time, if any, specified therefor):

(a) Payments. The failure or refusal of Borrower to pay any part of the Obligations on the date that such payment is due.

(b) Certain Covenants. The failure or refusal of any Obligor or any Subsidiary punctually and properly to perform, observe and comply with any covenant, agreement or condition contained in Article VII or Sections 6.1(b), 6.2, 6.3, 6.4, or 6.7.

(c) Other Covenants. The failure or refusal of any Obligor or any Subsidiary punctually and properly to perform, observe and comply with any covenant, agreement or condition contained in any of the Loan Documents (other than covenants to pay the Obligations referenced in Section 9.1(a) and those referenced in Section 9.1(b)) and such failure shall not have been remedied within thirty (30) days after Borrower becomes aware of such failure.

(d) Voluntary Debtor Relief. Any Obligor or any Subsidiary shall (i) execute an assignment for the benefit of creditors, or (ii) admit in writing its inability, or be generally unable, to pay its debts generally as they become due, or (iii) voluntarily seek the benefit or benefits of any Debtor Relief Law, or (iv) voluntarily become a party to any proceeding provided for by any Debtor Relief Law that could suspend or otherwise affect any of the rights granted to or for the benefit of Lender in any of the Loan Documents.

(e) Involuntary Proceedings. Any Obligor or any Subsidiary shall involuntarily (i) have an order, judgment or decree entered against it by any Governmental Authority pursuant to any Debtor Relief Law that could suspend or otherwise affect any of the rights granted to or for the benefit of Lender in any of the Loan Documents, or (ii) have a petition filed against it seeking the benefit or benefits provided for by any Debtor Relief Law that would suspend or otherwise affect any of the rights granted to or for the benefit of Lender in any of the Loan Documents and such order, judgment, decree or petition remains undismissed for a period of sixty (60) days.

(f) Insurance Regulation. (i) Any Insurance Regulator or other Governmental Authority of any state intervenes in the management of the business or operations of, or issues an order of supervision or rehabilitation with respect to, Borrower or any Subsidiary, or (ii) Borrower or any Subsidiary facilitates or takes any affirmative action with the intention of facilitating such intervention, in each case that would reasonably be expected to result in a Material Adverse Effect.

(g) Government Regulation. Any Governmental Authority issues any order (including a Regulatory Order) or makes any determination as to any Obligor or any Subsidiary that limits or restricts the ordinary course of business operations of such Person or any officer or employee of such Person, such that such Order would have a Material Adverse Effect.

(h) Judgments. Any Obligor or any Subsidiary shall have rendered against it a money judgment with respect to any Litigation, arbitration or mediation, which could result in the payment by such Obligor or Subsidiary of an amount in excess of $5,000,000 net of reinsurance, and the same shall remain in effect and unstayed for a period of thirty consecutive days.

(i) Other Debt. (i) Any Obligor or any Subsidiary shall default (A) in the payment of principal of or interest on any Debt in an aggregate amount, together with all other Debt as to which a default exists, in excess of $1,000,000.00, or (B) in the performance of any other covenant, term or condition contained in any agreement with respect to such Debt and (1) such default shall continue beyond any grace period with respect to such payment or performance and (2) the effect of such default is to cause or permit the holder or holders of such Debt (or any trustee on their behalf) to cause such Debt (or any portion thereof) to become due, prepaid, redeemed or purchased prior to its date of maturity, or (ii) any event shall occur which either causes or permits the holder or holders of such Debt (or any trustee on their behalf) to cause such Debt (or any portion thereof) to become due, prepaid, redeemed or purchased prior to its date of maturity.

(j) Other Obligations. Any Obligor or any Subsidiary shall default in the payment or performance of any Cash Management Obligation or Swap Obligation, beyond any notice and cure periods, which would reasonably be expected to result in a Material Adverse Effect.

(k) Misrepresentation. Any statement, representation or warranty in the Loan Documents or in any writing ever delivered to Lender pursuant to the Loan Documents, is false, misleading or erroneous in any material respect.

(l) ERISA. Any Reportable Event under any Plan, or the appointment by an appropriate Governmental Authority of a trustee to administer any Plan, or the termination of any Plan within the meaning of Title IV of ERISA, or any material accumulated funding deficiency within the meaning of ERISA under any Plan, or proceedings shall be instituted by the PBGC to terminate any Plan or to appoint a trustee to administer any Plan.

(m) Change of Control. A Change of Control shall occur.

(n) Rating. Houston Specialty Insurance Company's A.M. Best Rating falls below an "A-".

(o) Loan Documents. Any Loan Document shall at any time after its execution and delivery and for any reason, cease to be in full force and effect in or be declared to be null and void (other than in accordance with the terms hereof or thereof) or the validity or enforceability thereof be contested by any Person party thereto (other than Lender) or any Person (other than Lender) shall deny in writing that it has any liability or any further liability or obligations under any Loan Document to which it is a party (including any revocation of any Guaranty by any Guarantor); or any Security Document shall for any reason (other than pursuant to the terms thereof) cease to create a valid and perfected first priority Lien in any Collateral.

(p) 2006 Documents. Any Person who is a holder of, or claims to act for the benefit of any holder of, any equity security or Debt of HCT, any 2006 Debenture, any 2006 Preferred Security, the 2006 Guaranty, or any other 2006 Document shall assert that any obligation under any 2006 Document is not subordinate in any respect to the Obligations; any payment or transfer of any property shall be made under any 2006 Document (other than payment of regularly scheduled cash interest payments in accordance with the 2006 Debentures and 2006 Preferred Securities (as such agreements existed on August 2, 2006) if no Default or Event of Default exists prior to or after giving effect to such payment); a default shall occur under any 2006 Document; or the 2006 Indenture, 2006 Debentures or the 2006 Preferred Securities shall benefit from any collateral or guaranty.

(q) 2019-1 Notes. Any Person who is a holder of, or claims to act for the benefit of any holder of, any 2019-1 Note shall assert that any obligation under any 2019-1 Note is not subordinate as provided in any 2019-1 Note or any agreement related thereto, to the Obligations; Borrower makes any payment or transfer of any property in violation of the provisions of such 2019-1 Note or any related agreement; any Person who is a holder of, or claims to act for the benefit of any holder of, any 2019-1 Note receives any payment or transfer of any property in violation of the provisions of any 2019-01 Note or any related agreement; a default shall occur under any 2019-01 Note or any agreement related thereto; or any 2019-1 Note or any indebtedness or obligation related thereto shall benefit from any collateral or guaranty.

9.2 *Remedies*. If an Event of Default exists:

(a) With the exception of an Event of Default specified in Section 9.1(d) or (e), Lender may terminate the Letter of Credit Commitment and/or declare the principal of and interest on the Term Loan and the Obligations and other amounts owed under the Loan Documents to be forthwith due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived, anything in the Loan Documents to the contrary notwithstanding.

(b) Upon the occurrence of an Event of Default specified in Section 9.1(d) or (e), the principal of and interest on the Term Loan and the Obligations and other amounts owed under the Loan Documents shall thereupon and concurrently therewith become due and payable and the Letter of Credit Commitment shall concurrently therewith terminate, all without any action by Lender, or any holder of the Term Loan Note and without presentment, demand, protest or other notice of any kind, all of which are expressly waived, anything in the Loan Documents to the contrary notwithstanding.

(c) Lender and any Person acting for the benefit of Lender may exercise all of the post default rights granted to it under the Loan Documents or under Law.

(d) The rights and remedies of Lender hereunder shall be cumulative and not exclusive.

9.3 *Application of Funds*. After the exercise of remedies provided for in Section 9.2 (or after any Loan and other Obligations have automatically become immediately due and payable), any amounts received on account of the Obligations shall be applied by Lender in the following order:

(a) *First*, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including amounts payable under Article IV) payable to Lender;

(b) *Second*, to payment of that portion of the Obligations constituting accrued and unpaid interest on the Term Loan;

(c) *Third*, to payment of that portion of the Obligations constituting unpaid principal of the Term Loan in such order as Lender elects in its discretion;

(d) *Fourth*, to payment of Letter of Credit Liabilities;

(e) *Fifth*, to Cash Collateralize the Letter of Credit Liabilities comprised of the aggregate amount available to be drawn under all outstanding Letters of Credit;

(f) *Sixth*, to all other Obligations in such order as Lender elects in its discretion;

(g) *Seventh*, to all other Secured Obligations in such order as Lender elects in its discretion; and

(h) *Last*, the balance, if any, after all of the Secured Obligations have been indefeasibly paid in full, to Borrower or as otherwise required by Law.

ARTICLE X
MISCELLANEOUS

10.1 *Reliance by Lender*. Lender and its officers, directors, employees, attorneys and agents shall be entitled to rely and shall be fully protected in relying on any writing, resolution, notice, consent, certificate, affidavit, letter, e- mail, statement, order, or other document or conversation reasonably believed by it or them in good faith to be genuine and correct and to have been signed or made by the proper Person and, with respect to legal matters, upon opinions of counsel selected or consented to by Lender.

10.2 *Notices*.

(a) All notices and other communications under this Agreement (except in those cases where giving notice by telephone is expressly permitted) and the other Loan Documents shall be in writing and shall be deemed to have been given on the date personally delivered, when received if sent by electronic mail (including an attached PDF) to the electronic mail address set forth on Schedule 10.2, or three (3) days after deposit in the mail, designated as certified mail, return receipt requested, postage prepaid, or one (1) Business Day after being entrusted to a reputable commercial overnight delivery service, addressed to the party to which such notice is directed at its address determined as provided in this Section. All notices and other communications under this Agreement shall be given if to Borrower, at the address specified on Schedule 10.2, and if to Lender, at the address specified on Schedule 10.2.

(b) Any party hereto may change the address or electronic mail address, as applicable, to which notices shall be directed by giving ten (10) days' written notice of such change to the other party.

10.3 *Expenses*. Borrower shall promptly pay:

(a) all reasonable costs, out-of-pocket expenses and Attorney Costs of Lender in connection with the preparation, negotiation, execution and delivery of this Agreement and the other Loan Documents, the transactions contemplated hereunder and thereunder, the making of the Letter of Credit Commitment and the Term Loan and the issuance of each Letter of Credit hereunder;

(b) all reasonable costs, out-of-pocket expenses and Attorney Costs of Lender incurred after the date of this Agreement in connection with the administration of the transactions contemplated in this Agreement and the other Loan Documents and the preparation, negotiation, execution and delivery of any waiver, amendment or consent by Lender relating to this Agreement or the other Loan Documents; and

(c) all costs, out-of-pocket expenses and Attorney Costs of Lender incurred for enforcement, collection, restructuring, refinancing and "work out", or otherwise incurred in obtaining performance under the Loan Documents, and all costs and out of pocket expenses of collection if default is made in the payment of the Obligations, which in each case shall include without limitation fees and expenses of consultants and counsel for Lender and administrative fees for Lender.

10.4 *Waivers*. The rights and remedies of Lender under this Agreement and the other Loan Documents shall be cumulative and not exclusive of any rights or remedies which it would otherwise have. No failure or delay by Lender in exercising any right shall operate as a waiver of such right. Any waiver or indulgence granted by Lender shall not constitute a modification of this Agreement or any other Loan Document, except to the extent expressly provided in such waiver or indulgence, or constitute a course of dealing by Lender at variance with the terms of the Agreement or any other Loan Document such as to require further notice by Lender of Lender's intent to require strict adherence to the terms of the Agreement and each other Loan Document in the future. Any such actions shall not in any way affect the ability of Lender, in its discretion, to exercise any rights available to it under this Agreement, any other Loan Document or under any other agreement, whether or not Lender is a party thereto, relating to Borrower, any Subsidiary or any Obligor.

10.5 *Determinations by Lender Conclusive and Binding*. Any material determination required or expressly permitted to be made by Lender under this Agreement and each other Loan Document shall be made in its reasonable judgment, and shall when made, absent manifest error, be conclusive and binding on all parties.

10.6 *Set Off*. In addition to any rights now or hereafter granted under Applicable Law and not by way of limitation of any such rights, during the existence of an Event of Default, Lender and any subsequent holder of any Note or other Obligations, and any Assignee or Participant in any Note or other Obligations is hereby authorized by Borrower at any time or from time to time, without notice to Borrower or any other Person, any such notice being hereby expressly waived, to set off, appropriate and apply any deposits (general or special (except trust, fiduciary accounts and escrow accounts), time or demand, including without limitation certificates of deposit, in each case whether matured or unmatured) and any other Debt at any time held or owing by Lender or such holder, Assignee or Participant to or for the credit or the account of Borrower, against and on account of the Obligations and other liabilities of Borrower to Lender or such holder, Assignee or Participant, irrespective of whether or not (a) Lender or such holder, Assignee or Participant shall have made any demand hereunder, or (b) Lender or such holder, Assignee or Participant shall have declared the principal of and interest on any Loan and other amounts due hereunder to be due and payable as permitted by Section 9.2 and although such obligations and liabilities, or any of them, shall be contingent or unmatured. Any sums obtained by Lender or such holder, Assignee or Participant shall be applied pursuant to Section 9.3.

10.7 *Assignment*.

(a) Neither Borrower nor any other Obligor may assign or transfer any of its rights or obligations hereunder or under the other Loan Documents without the prior written consent of Lender.

(b) Lender may at any time sell participations in all or any part of the Letter of Credit Commitment, the Revolving Loan Commitment and Term Loan (collectively, "*Participations*") to any banks or other financial institutions ("*Participants*") provided that such Participation shall not confer on any Person (other than the parties hereto) any right to vote on, approve or sign amendments or waivers, or any other independent benefit or any legal or equitable right, remedy or other claim under this Agreement or any other Loan Documents, other than the right to vote on, approve, or sign amendments or waivers or consents with respect to items that would result in (i) (A) the extension of the Term Loan Maturity Date, the Revolving Loan Maturity Date or the Letter of Credit Termination Date, or (B) the extension of the due date for any payment of principal, interest or fees respecting the Term Loan or the Revolving Loan, or (C) the reduction of the amount of any installment of principal or interest on or the change or reduction of any mandatory reduction required hereunder, or (D) a reduction of the rate of interest on, the Term Loan or the Revolving Loan; or (ii) the release of substantially all of the security for the Obligations. Notwithstanding the foregoing, Borrower agrees that the Participants shall be entitled to the benefits of Article IX and Section 10.6 as though they were Lender. To the fullest extent it may effectively do so under Law, Borrower and each other Obligor agrees that any Participant may exercise any and all rights of banker's lien, set off and counterclaim with respect to its Participation as fully as if such Participant were the holder of the Letter of Credit Commitment, the Revolving Loan Commitment and the Term Loan in the amount of its Participation.

(c) Lender may assign to one or more financial institutions or funds organized under the Laws of the United States, or any state thereof, or under the Laws of any other country that is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, which is engaged in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business (each, an "*Assignee*") all of its rights and obligations under this Agreement and the other Loan Documents. From and after such assignment, such Assignee shall succeed to all rights and obligations of Lender under the Loan Documents; *provided*, that Lender shall retain all rights under Section 6.9.

(d) Lender may, in connection with any assignment or Participation or proposed assignment or Participation pursuant to this Section 10.7, disclose to the Assignee or Participant or proposed assignee or participant, any information relating to any Obligor or any Subsidiary furnished to Lender by or on behalf of any such Person; *provided*, that Lender complies with Section 10.14.

(e) Except as specifically set forth in this Section 10.7, nothing in this Agreement or any other Loan Documents, expressed or implied, is intended to or shall confer on any Person other than the respective parties hereto and thereto and their successors and assignees permitted hereunder and thereunder any benefit or any legal or equitable right, remedy or other claim under this Agreement or any other Loan Documents.

10.8 *Counterparts*. This Agreement may be executed in any number of counterparts, including via facsimile or attachment to electronic mail, each of which shall be deemed to be an original, but all such separate counterparts shall together constitute but one and the same instrument.

10.9 *Electronic Signatures and Electronic Records*. Each party to this Agreement consents to the use of electronic and/or digital signatures by one or both parties. This Agreement, and any other documents requiring a signature hereunder, may be signed electronically or digitally in a manner specified solely by Prosperity Bank. The parties agree not to deny the legal effect or enforceability of this Agreement solely because (i) the Agreement is entirely in electronic or digital form, including any use of electronically or digitally generated signatures, or (ii) an electronic or digital record was used in the formation of this Agreement or the Agreement was subsequently converted to an electronic or digital record by one or both parties. The parties agree not to object to the admissibility of this Agreement in the form of an electronic or digital record, or a paper copy of an electronic or digital document, or a paper copy of a document bearing an electronic or digital signature, on the grounds that the record or signature is not in its original form or is not the original of the Agreement or the Agreement does not comply with Chapter 26 of the Texas Business and Commerce Code.

10.10 *Severability*. Any provision of this Agreement which is for any reason prohibited or found or held invalid or unenforceable by any Governmental Authority shall be ineffective to the extent of such prohibition or invalidity or unenforceability without invalidating the remaining provisions hereof in such jurisdiction or affecting the validity or enforceability of such provision in any other jurisdiction.

10.11 *Interest and Charges*. It is not the intention of any parties to this Agreement to make an agreement in violation of the Laws of any applicable jurisdiction relating to usury. Regardless of any provision in any Loan Document, Lender shall never be entitled to receive, collect or apply, as interest on the Obligations, any amount in excess of the Maximum Amount. If Lender ever receives, collects or applies, as interest, any such excess, such amount which would be excessive interest shall be deemed a partial repayment of principal by Borrower. In determining whether or not the interest paid or payable, under any specific contingency, exceeds the Maximum Amount, Borrower and Lender shall, to the maximum extent permitted under Applicable Law, (a) characterize any nonprincipal payment as an expense, fee or premium rather than as interest, (b) exclude voluntary prepayments and the effect thereof, and (c) amortize, prorate, allocate and spread in equal parts, the total amount of interest throughout the entire contemplated term of the Obligations so that the interest rate is uniform throughout the entire term of the Obligations; *provided*, *however*, that if the Obligations are paid and performed in full prior to the end of the full contemplated term thereof, and if the interest received for the actual period of existence thereof exceeds the Maximum Amount, Lender shall refund to Borrower or such other Person legally entitled thereto the amount of such excess or credit the amount of such excess against the total principal amount of the Obligations owing, and, in such event, Lender shall not be subject to any penalties or forfeitures provided by any Laws for contracting for, charging or receiving interest in excess of the Maximum Amount. This Section shall control every other provision of all agreements pertaining to the transactions contemplated by or contained in the Loan Documents. The provisions of this Section applicable to Lender are equally applicable to each Participant, Assignee and any subsequent holder.

10.12 *Amendment and Waiver*. The provisions of this Agreement may not be amended, modified or waived except by the written agreement of Borrower and Lender.

10.13 *Exception to Covenants*. No Obligor shall be deemed to be permitted to take any action or fail to take any action which is permitted as an exception to any of the covenants contained herein or which is within the permissible limits of any of the covenants contained herein if such action or omission would result in the breach of any other covenant contained herein.

10.14 *Confidentiality*. Lender agrees to maintain the confidentiality of the Information, except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any Governmental Authority (including any self-regulatory authority), (c) to the extent required by Laws or by any subpoena or similar legal process, (d) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (e) subject to an agreement containing provisions substantially the same as those of this Section, to any Assignee of or Participant in, or any prospective Assignee of or Participant in, any of its rights or obligations under this Agreement, (f) with the written consent of Borrower or (g) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to Lender on a nonconfidential basis from a source other than any Obligor or any Subsidiary and the receipt by Lender of such Information does not breach an obligation of Lender pursuant to this Agreement. For purposes of this Section, "*Information*" means all information received from any Obligor, any Subsidiary or any of their Affiliates relating to any Obligor, any Subsidiary or any of their Affiliates or any of their respective businesses, other than any such information that is available to Lender on a nonconfidential basis prior to disclosure by any Obligor, any Subsidiary or any of their Affiliates. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

10.15 *USA Patriot Act Notice*. Lender hereby notifies Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub.L. 107-56 (signed into law October 26, 2001)) (the "*Act*"), Lender is required to obtain, verify and record information that identifies Borrower, which information includes the name and address of Borrower and other information that will allow Lender to identify Borrower in accordance with the Act.

10.16 ***GOVERNING LAW.*** THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF TEXAS. THE LOAN DOCUMENTS ARE PERFORMABLE IN PLANO, COLLIN COUNTY, TEXAS, AND BORROWER AND EACH OTHER OBLIGOR WAIVES THE RIGHT TO BE SUED ELSEWHERE. BORROWER, EACH OTHER OBLIGOR AND LENDER AGREE THAT THE STATE COURTS OF TEXAS AND FEDERAL COURTS LOCATED IN PLANO, TEXAS SHALL HAVE JURISDICTION OVER PROCEEDINGS IN CONNECTION WITH THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

10.17 ***WAIVER OF JURY TRIAL.*** BORROWER, EACH OTHER OBLIGOR AND LENDER HEREBY KNOWINGLY VOLUNTARILY, IRREVOCABLY AND INTENTIONALLY WAIVE, TO THE MAXIMUM EXTENT PERMITTED BY LAW, ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM ARISING OUT OF OR RELATED TO ANY OF THE LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY. THIS PROVISION IS A MATERIAL INDUCEMENT TO LENDER ENTERING INTO THIS AGREEMENT AND MAKING THE TERM LOAN AND ISSUING LETTERS OF CREDIT HEREUNDER.

10.18 ***ENTIRE AGREEMENT.*** THIS WRITTEN AGREEMENT, TOGETHER WITH THE OTHER LOAN DOCUMENTS, REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES HERETO. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

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IN WITNESS WHEREOF, this Agreement is executed as of the date first set forth above.

BORROWER:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation

By: /s/ Mark W. Haushill
Print Name: Mark W. Haushill
Print Title: Executive Vice President & CFO

LENDER:

PROSPERITY BANK, a Texas banking association

By: /s/ Todd Coultas
Todd Coultas, Vice President

EXHIBIT A

TERM LOAN NOTE

PROMISSORY NOTE
(Term Loan Note)

$50,000,000.00 December 6, 2019

For value received, **HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.**, a Delaware corporation, as principal ("Borrower"), promises to pay to the order of **PROSPERITY BANK**, a Texas banking association ("Lender"), at 5851 Legacy Circle, Suite 1200, Plano, Texas 75024, or at such other address as Lender shall from time to time specify in writing, the principal sum of FIFTY MILLION AND 00/100 DOLLARS ($50,000,000.00), in legal and lawful money of the United States of America, with interest on the outstanding principal from the date advanced until paid at the rate set out below. Interest shall be computed on a per annum basis of a year of 360 days and for the actual number of days elapsed, unless such calculation would result in a rate greater than the highest rate permitted by Applicable Law, in which case interest shall be computed on a per annum basis of a year of 365 days or 366 days in a leap year, as the case may be. Capitalized terms not otherwise defined in this Note have the meaning specified in the Credit Agreement dated as of December 6, 2019, between Borrower and Lender (such agreement, together with all amendments and restatements thereto, the "Credit Agreement").

1. *Payment Terms*.

(a) Principal. Principal hereunder shall be due and payable in full on the Term Loan Maturity Date along with all accrued but unpaid interest thereon.

(b) Interest. Accrued, unpaid interest shall be due and payable on each Interest Payment Date; interest being calculated on the unpaid principal each day principal is outstanding.

(c) Order of Application. All payments of interest and principal made shall be credited to any collection costs and late charges, to the discharge of the interest accrued and to the reduction of the principal, in such order as provided in the Credit Agreement.

(d) Additional Payments. Principal and interest may also be due on other dates as provided in the Credit Agreement.

2. *Late Charge*. If a payment is made more than 10 days after it is due, Borrower will be charged (subject to Paragraph 8), in addition to interest, a delinquency charge of (a) 5% of the unpaid portion of the regularly scheduled payment, or (b) $250.00, whichever is less. Additionally, upon maturity of this Note, if the outstanding principal balance (plus all accrued but unpaid interest) is not paid within 10 days of the maturity date, Borrower will be charged (subject to Paragraph 8) a delinquency charge of (a) 5% of the sum of the outstanding principal balance (plus all accrued but unpaid interest), or (b) $250.00, whichever is less. Borrower agrees with Lender that the charges set forth herein are reasonable compensation to Lender for the handling of such late payments.

3. *Interest Rate*.

(a) Subject to and in accordance with the terms of the Credit Agreement and Paragraphs 3(b) and 4 of this Note, the Term Loan Note shall bear interest on the outstanding principal amount thereof for the applicable Interest Period at a rate per annum equal to the lesser of (A) the Highest Lawful Rate and (B) the Eurodollar Basis *plus* the Applicable Margin.

(b) Subject to the provisions of Section 2.9 of the Credit Agreement and Paragraph 4, if at any time Lender has notified Borrower that the provisions of Sections 4.2 or 4.3 of the Credit Agreement apply, (i) all of the Term Loan shall become a Prime Rate Loan effective on the date on which Lender determines that the provisions of Section 4.2 of the Credit Agreement apply, and (ii) all of the Term Loan shall become a Prime Rate Loan on the last day of the current Interest Period applicable to the Term Loan if Lender determines that the provisions of Section 4.3 of the Credit Agreement apply and Borrower may not elect that the Term Loan be a Eurodollar Rate Loan until Lender notifies Borrower that the provisions of Sections 4.2 and 4.3 of the Credit Agreement no longer apply.

4. *Default Rate*. If an Event of Default exists, subject to Section 2.9 of the Credit Agreement, and in addition to all other rights and remedies of Lender hereunder, interest shall accrue at a per annum rate, equal to the lesser of (a) the Default Rate, and (b) the Highest Lawful Rate, and such accrued interest shall be immediately due and payable. Borrower acknowledges that it would be extremely difficult or impracticable to determine Lender's actual damages resulting from any Event of Default, and such accrued interest is a reasonable estimate of those damages and does not constitute a penalty.

5. *Prepayment*. Borrower reserves the right to prepay, prior to maturity, all or any part of the principal of this Note without premium or penalty. Each prepayment shall be accompanied by all accrued interest thereon, together with any additional amounts required pursuant to Article IV of the Credit Agreement. Any prepayments shall be applied as provided in the Credit Agreement. Borrower will provide written notice to the holder of this Note of any such prepayment of all or any part of the principal as provided in the Credit Agreement. All payments and prepayments of principal or interest on this Note shall be made in lawful money of the United States of America in immediately available funds, at Lender's Principal Office, or such other place as Lender shall designate in writing to Borrower.

6. *Default*. It is expressly provided that if an Event of Default (other than an Event of Default described in Sections 9.1(d) or (e) of the Credit Agreement) exists, the holder of this Note may, at its option, without further notice or demand, (a) declare the outstanding principal balance of and accrued but unpaid interest on this Note at once due and payable, (b) refuse to advance any additional amounts under this Note, (c) foreclose all Liens securing payment hereof, (d) pursue any and all other rights, remedies and recourses available to the holder hereof, including but not limited to any such rights, remedies or recourses under the Loan Documents, at law or in equity, or (e) pursue any combination of the foregoing; and in the event default is made in the prompt payment of this Note when due or declared due, and the same is placed in the hands of an attorney for collection, or suit is brought on same, or the same is collected through probate, bankruptcy or other judicial proceedings, then Borrower agrees and promises to pay all costs of collection, including Attorney Costs. It is expressly provided that upon the occurrence of an Event of Default specified in Section 9.1(d) or (e) of the Credit Agreement, and in addition to all other rights and remedies of Lender, the principal of and interest on the Term Loan and the Obligations and other amounts owed under the Loan Documents shall thereupon and concurrently therewith become due and payable, all without any action by Lender, or any holder hereof and without presentment, demand, protest or other notice of any kind, all of which are expressly waived, anything in the Loan Documents to the contrary notwithstanding.

7. *Joint and Several Liability; Waiver*. Each maker, signer, surety and endorser hereof, as well as all heirs, successors and legal representatives of said parties, shall be directly and primarily, jointly and severally, liable for the payment of all indebtedness hereunder. Lender may release or modify the obligations of any of the foregoing persons or entities, or guarantors hereof, in connection with this Note without affecting the obligations of the others. All such persons or entities expressly waive presentment and demand for payment, notice of default, notice of intent to accelerate maturity, notice of acceleration of maturity, protest, notice of protest, notice of dishonor, and all other notices and demands for which waiver is not prohibited by Law, and diligence in the collection hereof; and agree to all renewals, extensions, indulgences, partial payments, releases or exchanges of collateral, or taking of additional collateral, with or without notice, before or after maturity. No delay or omission of Lender in exercising any right hereunder shall be a waiver of such right or any other right under this Note.

8. *No Usury Intended; Usury Savings Clause*. In no event shall interest contracted for, charged or received hereunder, plus any other charges in connection herewith which constitute interest, exceed the maximum interest permitted by Applicable Law. The amounts of such interest or other charges previously paid to the holder of the Note in excess of the amounts permitted by Applicable Law shall be applied by the holder of the Note to reduce the principal of the indebtedness evidenced by the Note, or, at the option of the holder of the Note, be refunded. To the extent permitted by Applicable Law, determination of the legal maximum amount of interest shall at all times be made by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of the loan and indebtedness, all interest at any time contracted for, charged or received from the Borrower hereof in connection with the loan and indebtedness evidenced hereby, so that the actual rate of interest on account of such indebtedness is uniform throughout the term hereof.

9. *Security*. This Note has been executed and delivered pursuant to the Credit Agreement, and is secured by, inter alia, certain of the Loan Documents. The holder of this Note is entitled to the benefits and security provided in and subject to the terms of the Loan Documents.

10. *Texas Finance Code*. To the extent that Chapter 303 of the Texas Finance Code is applicable to this Note, the "weekly ceiling" specified in such article is the applicable ceiling; provided that, if any Applicable Law permits greater interest, the Law permitting the greatest interest shall apply.

11. *Governing Law, Venue*. This Note is being executed and delivered, and is intended to be performed in the State of Texas. Except to the extent that the Laws of the United States may apply to the terms hereof, the substantive Laws of the State of Texas shall govern the validity, construction, enforcement and interpretation of this Note. In the event of a dispute involving this Note or any other instruments executed in connection herewith, the undersigned irrevocably agrees that venue for such dispute shall lie in any court of competent jurisdiction in Collin County, Texas.

12. *Purpose of Loan*. Borrower agrees that advances under this Note shall be used solely for the purposes stated in the Credit Agreement.

13. *Captions*. The captions in this Note are inserted for convenience only and are not to be used to limit the terms herein.

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BORROWER:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation

By: _____

Print Name: _____

Print Title: _____

EXHIBIT B

BORROWER PLEDGE AGREEMENT

PLEDGE AND SECURITY AGREEMENT

Borrower/		Lender/	
Grantor:	Houston International Insurance Group, Ltd.	Secured Party:	Prosperity Bank
Address:	800 Gessner Road, 6th Floor Houston, Texas 77024	Address:	5851 Legacy Circle Suite 1200 Plano, Texas 75024

THIS PLEDGE AND SECURITY AGREEMENT ("Agreement") is dated as of December 6, 2019, by and between Grantor and Lender ("Secured Party").

1. *Definitions*. As used in this Agreement, the following terms shall have the meanings indicated below:

(a) "Code" means the Uniform Commercial Code as in effect in the State of Texas or of any other state having jurisdiction with respect to any of the rights and remedies of Secured Party on the date of this Agreement or as it may hereafter be amended from time to time.

(b) "Collateral" means (i) all personal property of Grantor specifically described on Schedule A attached hereto and made a part hereof, (ii) all certificates, instruments and/or other documents evidencing the foregoing and following, (iii) all renewals, replacements and substitutions of all of the foregoing and following, (iv) all Additional Property (as hereinafter defined), and (v) all PRODUCTS and PROCEEDS of all of the foregoing. The designation of proceeds does not authorize Grantor to sell, transfer or otherwise convey any of the foregoing property. The delivery at any time by Grantor to Secured Party of any property as a pledge to secure payment or performance of any indebtedness or obligation whatsoever shall also constitute a pledge of such property as Collateral hereunder.

(c) "Credit Agreement" means the Credit Agreement dated as of December 6, 2019, between Grantor and Secured Party, together with all amendments and restatements thereto.

(d) "Grantor" means Borrower, a corporation whose federal taxpayer identification number is 14-1957288 and who is organized in the State of Delaware.

(e) "Indebtedness" means (i) all indebtedness, obligations and liabilities of Grantor and each other Obligor to Secured Party of any kind or character, now existing or hereafter arising, whether direct, indirect, related, unrelated, fixed, contingent, liquidated, unliquidated, joint, several or joint and several, and regardless of whether such indebtedness, obligations and liabilities may, prior to their acquisition by Secured Party, be or have been payable to or in favor of a third party and subsequently acquired by Secured Party (it being contemplated that Secured Party may make such acquisitions from third parties), including without limitation all indebtedness, obligations and liabilities of Grantor and each other Obligor to Secured Party now existing or hereafter arising by note, draft, acceptance, guaranty, endorsement, letter of credit, assignment, purchase, overdraft, discount, indemnity agreement or otherwise, (ii) all indebtedness, obligations and liabilities now or hereafter existing of Grantor and each other Obligor under the Credit Agreement and each other Loan Document (including, but not limited to, the Obligations), (iii) all Secured Obligations, (iii) all accrued but unpaid interest (including all interest that would accrue but for the existence of a proceeding under any Debtor Relief Laws) on any of the indebtedness, obligations and liabilities described in this definition of "Indebtedness," (iv) all indebtedness, obligations and liabilities of Grantor and each other Obligor to Secured Party under any documents evidencing, securing, governing and/or pertaining to all or any part of the indebtedness, obligations and liabilities described in this definition of "Indebtedness," (v) all reasonable costs and expenses incurred by Secured Party prior to an Event of Default and all costs and expenses incurred by Secured Party during the existence of an Event of Default in connection with the collection and administration of all or any part of the indebtedness, obligations and liabilities described in this definition of "Indebtedness" or the protection or preservation of, or realization upon, the collateral securing all or any part of such indebtedness, obligations and liabilities, including without limitation all Attorney Costs, and (vi) all renewals, extensions, modifications, restructurings and rearrangements of the indebtedness, obligations and liabilities described in this definition of "Indebtedness."

(f) "Margin Stock" means margin stock as defined in Section 221.3(v) of Regulation U, promulgated by the Board of Governors of the Federal Reserve System, 12 C.F.R. part 221, as amended.

All words and phrases used herein which are expressly defined in Section 1.201, Chapter 8 or Chapter 9 of the Code shall have the meaning provided for therein. Other words and phrases defined elsewhere in the Code shall have the meaning specified therein except to the extent such meaning is inconsistent with a definition in Section 1.201, Chapter 8 or Chapter 9 of the Code. Capitalized terms not otherwise defined herein have the meaning specified in the Credit Agreement.

2. *Security Interest*. As security for the Indebtedness, Grantor, for value received, hereby grants to Secured Party, for it and the benefit of holders of Indebtedness, a continuing security interest in the Collateral.

3. *Additional Property.* Collateral shall also include the following property (collectively, the "Additional Property") which Grantor becomes entitled to receive or shall receive in connection with any other Collateral: (a) any stock certificate, including without limitation, any certificate representing a stock dividend or any certificate in connection with any recapitalization, reclassification, merger, consolidation, conversion, sale of assets, combination of shares, stock split or spin-off; (b) any option, warrant, subscription or right, whether as an addition to or in substitution of any other Collateral; (c) any dividends or distributions of any kind whatsoever, whether distributable in cash, stock or other property; (d) any interest, premium or principal payments; and (e) any conversion or redemption proceeds; provided, however, that if an Event of Default does not exist or result therefrom and subject to the terms of the Credit Agreement, Grantor shall be entitled to all cash dividends (other than dividends representing a return of capital or a liquidating dividend) and all interest paid on the Collateral (except interest paid on any certificate of deposit pledged hereunder) free of the security interest created under this Agreement. All Additional Property received by Grantor shall be received in trust for the benefit of Secured Party. All Additional Property and all certificates or other written instruments or documents evidencing and/or representing the Additional Property that is received by Grantor, together with such instruments of transfer as Secured Party may request, shall immediately be delivered to or deposited with Secured Party and held by Secured Party as Collateral under the terms of this Agreement. If the Additional Property received by Grantor shall be shares of stock, other securities or other Equity Interests, such shares of stock, other securities and other Equity Interests shall be duly endorsed in blank or accompanied by proper instruments of transfer and assignment duly executed in blank with, if requested by Secured Party, signatures guaranteed by a bank or member firm of the New York Stock Exchange, all in form and substance satisfactory to Secured Party. Secured Party shall be deemed to have possession of any Collateral in transit to Secured Party or its agent.

4. *Voting Rights*. As long as no Event of Default exists, any voting rights incident to any stock, other securities or other Equity Interests pledged as Collateral may be exercised by Grantor; provided, however, that subject to Section 18, Grantor will not exercise, or cause to be exercised, any such voting rights, without the prior written consent of Secured Party, if the direct or indirect effect of such vote will result in an Event of Default hereunder.

5. *Maintenance of Collateral*. Other than the exercise of reasonable care to assure the safe custody of any Collateral in Secured Party's possession from time to time, Secured Party does not have any obligation, duty or responsibility with respect to the Collateral. Without limiting the generality of the foregoing, Secured Party shall not have any obligation, duty or responsibility to do any of the following: (a) ascertain any maturities, calls, conversions, exchanges, offers, tenders or similar matters relating to the Collateral or informing Grantor with respect to any such matters; (b) fix, preserve or exercise any right, privilege or option (whether conversion, redemption or otherwise) with respect to the Collateral unless (i) Grantor makes written demand to Secured Party to do so, (ii) such written demand is received by Secured Party in sufficient time to permit Secured Party to take the action demanded in the ordinary course of its business, and (iii) Grantor provides additional collateral, acceptable to Secured Party in its sole discretion; (c) collect any amounts payable in respect of the Collateral (Secured Party being liable to account to Grantor only for what Secured Party may actually receive or collect thereon); (d) sell all or any portion of the Collateral to avoid market loss; (e) sell all or any portion of the Collateral unless and until (i) Grantor makes written demand upon Secured Party to sell the Collateral, and (ii) Grantor provides additional collateral, acceptable to Secured Party in its sole discretion; or (f) hold the Collateral for or on behalf of any party other than Grantor.

6. *Representations and Warranties*. Grantor hereby represents and warrants the following to Secured Party:

(a) Authority. The execution, delivery and performance of this Agreement and all of the other Loan Documents by Grantor have been duly authorized by all necessary corporate action of Grantor.

(b) Accuracy of Information. All information heretofore, herein or hereafter supplied to Secured Party by or on behalf of Grantor with respect to the Collateral is true and correct.

(c) Enforceability. This Agreement and the other Loan Documents constitute legal, valid and binding obligations of Grantor, enforceable in accordance with their respective terms, except as limited as to enforcement of remedies by Debtor Relief Laws or regulatory statutes and regulations and except to the extent specific remedies may generally be limited by equitable principles.

(d) Ownership and Liens. Grantor has good and marketable title to the Collateral free and clear of all Liens or adverse claims, except for Liens expressly permitted by the Credit Agreement. No dispute, right of setoff, counterclaim or defense exists with respect to all or any part of the Collateral. Grantor has not executed any other security agreement currently affecting the Collateral and no financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording office except as may have been executed or filed in favor of Secured Party.

(e) No Conflicts or Consents. Subject to Section 18, neither the ownership, the intended use of the Collateral by Grantor, the grant of the security interest by Grantor to Secured Party herein nor the exercise by Secured Party of its rights or remedies hereunder, will (i) conflict with any provision of (A) any Law, (B) the Organizational Documents of Grantor or any issuer of any Collateral, or (C) any agreement, judgment, license, order or permit applicable to or binding upon Grantor or otherwise affecting the Collateral, or (ii) result in or require the creation of any Lien upon any assets or properties of Grantor or of any Person except as may be expressly contemplated in the Loan Documents; provided that, prior to the exercise by Secured Party of any right or remedy hereunder over all or any part of the Collateral which would require the prior consent of one or more Insurance Regulators (including any change of control of a RIC sufficient to require a filing of a National Association of Insurance Commissioners Form A or equivalent filing or an application for an exemption from the requirement that such form be filed), Secured Party has obtained the prior consent of all such applicable Insurance Regulators required under Law. Except as expressly contemplated herein, in the other Loan Documents and except for the notice of this Agreement and the other Loan Documents which must be delivered to the Virginia Department of Insurance, no consent, approval, authorization or order of, and no notice to or filing with, any Governmental Authority or other Person is required in connection with the grant by Grantor of the security interest herein or the exercise by Secured Party of its rights and remedies hereunder.

(f) Security Interest. Grantor has and will have at all times full right, power and authority to grant a security interest in the Collateral to Secured Party in the manner provided herein, free and clear of any Lien. This Agreement creates a legal, valid and binding security interest in favor of Secured Party in the Collateral. Upon the filing of a financing statement describing the Collateral with the Uniform Commercial Code central filing office of the jurisdiction of Grantor's location and delivery to Secured Party of all certificates evidencing Collateral, the security interest granted by this Agreement shall be perfected and prior to all other Liens.

(g) Location/Identity. Grantor's principal place of business and chief executive office (as those terms are used in the Code), is located at the address set forth herein. Except as specified elsewhere herein, all Collateral and records concerning the Collateral shall be kept at such address. Grantor's exact legal name, as stated in the currently effective Organizational Documents of Grantor as filed with the appropriate authority of Grantor's jurisdiction of organization, entity type, state of organization and federal taxpayer identification number (the "Organizational Information") are as set forth in the definition of "Grantor". Grantor is not organized in more than one jurisdiction. Except as specified herein, the Organizational Information shall not change. During the five years preceding the date of this Agreement or such lesser period as Grantor has been organized, Grantor has not had or operated under any name other than its name as stated in the definition of "Grantor," has not been organized under the Laws of any jurisdiction other than Delaware, has not been organized as any type of entity other than a corporation and the chief executive office of Grantor has not been located at any address other than as set forth on the first page hereof, except as set forth on Schedule C.

(h) Solvency of Grantor. As of the date hereof, and after giving effect to this Agreement and the completion of all other transactions contemplated by Grantor at the time of the execution of this Agreement, Grantor is and will be Solvent. Grantor is not entering into this Agreement or any other Loan Document to which Grantor is a party or its property is subject with the intent of hindering, delaying or defrauding any creditor.

(i) Securities. Any certificates evidencing securities or other Equity Interests pledged as Collateral are valid and genuine and have not been altered. All securities or other Equity Interests pledged as Collateral have been duly authorized and validly issued, are fully paid and non-assessable, and were not issued in violation of the preemptive rights of any party or of any agreement by which Grantor or the issuer thereof is bound. Subject to Section 18, no restrictions or conditions exist with respect to the transfer or voting of any securities or other Equity Interests pledged as Collateral or the admission of Secured Party or any transferee as a holder of any Collateral, other than federal and state securities Laws applicable to issuers of securities generally. No issuer of such securities or other Equity Interests has any outstanding stock rights, rights to subscribe, options, warrants or convertible securities or other Equity Interests outstanding or any other rights outstanding entitling any Person other than Grantor to have issued to such Person capital stock, other securities or other Equity Interests of such issuer. Schedule A contains a complete and correct description of each certificate or other instrument included in or evidencing Collateral. Schedule B is a complete and correct list of the exact name of the issuer of all Collateral described on Schedule A, its jurisdiction of organization, its federal taxpayer identification number, and the authorized, issued and outstanding capital stock and other Equity Interests of such issuer. Grantor's interest in such issuer is as stated on Schedule A. The Organizational Documents and each other governance document of such issuer that is a limited partnership or a limited liability company do not provide that any Equity Interest in such issuer is a security governed by Article 8 of the Code. No Equity Interest in such issuer is evidenced by a certificate or other instrument.

(j) Margin Regulations; Investment Company Act; Public Utility Holding Company Act.

(i) Grantor is not engaged and will not engage, principally or as one of its important activities, in the business of purchasing or carrying Margin Stock or extending credit for the purpose of purchasing or carrying Margin Stock. Following the application of the proceeds of the extensions of credit under the Credit Agreement, not more than 25% of the value of the assets (either of Grantor only or of Grantor and its Subsidiaries on a consolidated basis) will be Margin Stock.

(ii) None of Grantor, any Person controlling Grantor, or any subsidiary (i) is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 2005, or (ii) is or is required to be registered as an "investment company" under the Investment Company Act of 1940.

(k) Patriot Act. All capitalized words and phrases and all defined terms used in the USA Patriot Act of 2001, 107 Public Law 56 (October 26, 2001) (the "Patriot Act") and in other statutes and all orders, rules and regulations of the United States government and its various executive department, agencies and offices related to the subject matter of the Patriot Act, including, but not limited to, Executive Order 13224 effective September 24, 2001, are hereinafter collectively referred to as the "Patriot Rules" and are incorporated into this Agreement. Grantor represents and warrants to Secured Party that neither it nor any of its principals, shareholders, members, partners, or affiliates, as applicable, is a Person named as a Specially Designated National and Blocked Person (as defined in Presidential Executive Order 13224) and that it is not acting, directly or indirectly, for or on behalf of any such Person. Grantor further represents and warrants to Secured Party that Grantor and its principals, shareholders, members, partners, or affiliates, as applicable, are not, directly or indirectly, engaged in, nor facilitating, the transactions contemplated by this Agreement on behalf of any Person named as a Specially Designated National and Blocked Person. Grantor hereby agrees to defend, indemnify and hold harmless Secured Party from and against any and all claims, damages, losses, risks, liabilities, and expenses (including Attorney Costs) arising from or related to any breach of the foregoing representations and warranties.

7. *Affirmative Covenants*. Grantor will comply with the covenants contained in this Section at all times during the period of time this Agreement is effective unless Secured Party shall otherwise consent in writing.

(a) Ownership and Liens. Grantor will maintain good and marketable title to all Collateral free and clear of all Liens or adverse claims, except for the security interest created by this Agreement and the security interests and other encumbrances expressly permitted by the other Loan Documents. Grantor will not permit any dispute, right of setoff, counterclaim or defense to exist with respect to all or any part of the Collateral. Grantor will cause any financing statement or other security instrument with respect to the Collateral to be terminated, except as may exist or as may have been filed in favor of Secured Party or is subordinate to Secured Party. Grantor hereby irrevocably appoints Secured Party as Grantor's attorney-in-fact, such power of attorney being coupled with an interest, with full authority in the place and stead of Grantor and in the name of Grantor or otherwise, for the purpose of terminating any financing statements currently filed with respect to the Collateral. Grantor will defend at its expense Secured Party's right, title and security interest in and to the Collateral against the claims of any third party.

(b) Inspection of Books and Records. Grantor will keep adequate records concerning the Collateral and Grantor will permit Secured Party and all representatives and agents appointed by Secured Party to inspect any of the Collateral and the books and records of or relating to the Collateral in accordance with Section 6.3 of the Credit Agreement.

(c) Adverse Claim. Grantor covenants and agrees to promptly notify Secured Party of any claim, action or proceeding affecting title to the Collateral, or any part thereof, or the security interest created hereunder and, at Grantor's expense, defend Secured Party's security interest in the Collateral against the claims of any third party. Grantor also covenants and agrees to promptly deliver to Secured Party a copy of all written notices received by Grantor with respect to the Collateral, including without limitation, notices received from the issuer of any securities or other Equity Interests pledged hereunder as Collateral.

(d) Further Assurances. Grantor will contemporaneously with the execution hereof and from time to time thereafter at its expense promptly execute and deliver all further instruments and documents and take all further action reasonably necessary or appropriate or that Secured Party may request in order (i) to perfect and protect the security interest created or purported to be created hereby and the first priority of such security interest, (ii) to enable Secured Party to exercise and enforce its rights and remedies hereunder in respect of the Collateral, and (iii) to otherwise effect the purposes of this Agreement, including without limitation: (A) executing (if requested) and filing any financing or continuation statements, or any amendments thereto; (B) obtaining written confirmation from the issuer of any securities, other Equity Interests or other property pledged as Collateral of the pledge of such securities, other Equity Interests or other property, in form and substance satisfactory to Secured Party; (C) cooperating with Secured Party in registering the pledge of any securities, other Equity Interests or other property pledged as Collateral with the issuer of such securities, other Equity Interests or other property; (D) delivering notice of Secured Party's security interest in any securities, other Equity Interests or other property pledged as Collateral to any financial intermediary, clearing corporation or other party required by Secured Party, in form and substance satisfactory to Secured Party; and (E) obtaining written confirmation of the pledge of any securities or other Equity Interests or other property constituting Collateral from any financial intermediary, clearing corporation or other party required by Secured Party, in form and substance satisfactory to Secured Party. If all or any part of the Collateral is securities issued by an agency or department of the United States, Grantor covenants and agrees, at Secured Party's request, to cooperate in registering such securities in Secured Party's name or with Secured Party's account maintained with a Federal Reserve Bank.

8. *Negative Covenants*. Grantor will comply with the covenants contained in this Section at all times during the period of time this Agreement is effective, unless Secured Party shall otherwise consent in writing.

(a) Impairment of Security Interest. Grantor will not take or fail to take any action which would in any manner impair the value or enforceability of Secured Party's security interest in any Collateral.

(b) Dilution of Ownership. As to any securities or other Equity Interests pledged as Collateral, Grantor will not consent to or approve of the issuance of (i) any additional shares of any class of securities or other Equity Interests of such issuer (unless immediately upon issuance additional securities or other Equity Interests are pledged and delivered to Secured Party pursuant to the terms hereof to the extent necessary to give Secured Party a security interest after such issuance in at least the same percentage of such issuer's outstanding securities or other Equity Interests as Secured Party had before such issuance), (ii) any instrument convertible voluntarily by the holder thereof or automatically upon the occurrence or non-occurrence of any event or condition into, or exchangeable for, any such securities or other Equity Interests, or (iii) any warrants, options, contracts or other commitments entitling any third party to purchase or otherwise acquire any such securities or other Equity Interests.

(c) Restrictions on Securities. Grantor will not enter into any agreement creating, or otherwise permit to exist, any restriction or condition upon the transfer, voting or control of any securities or other Equity Interests pledged as Collateral, except as consented to in writing by Secured Party. No issuer of any Collateral which is either a partnership or limited liability company shall amend or restate its Organizational Documents, or other governance document, to provide that any Equity Interest of such issuer is a security governed by Article 8 of the Code or permit any Equity Interest of such issuer to be evidenced by a certificate or other instrument.

(d) Organizational Information. Except as permitted by the Credit Agreement and this Agreement, Grantor shall not permit any Organizational Information to change.

9. *Rights of Secured Party*. Secured Party shall have the rights contained in this Section 9 at all times during the period of time this Agreement is effective.

(a) Power of Attorney. Grantor hereby irrevocably appoints Secured Party as Grantor's attorney-in-fact, such power of attorney being coupled with an interest exercisable in the Event of Default, with full authority in the place and stead of Grantor and in the name of Grantor or otherwise, to, subject to Section 18, take any action and to execute any instrument which Secured Party may from time to time in Secured Party's discretion deem necessary or appropriate to accomplish the purposes of this Agreement, including without limitation, the following action: (i) transfer any securities or other Equity Interests, instruments, documents or certificates pledged as Collateral in the name of Secured Party or its nominee; (ii) use any interest, premium or principal payments, conversion or redemption proceeds or other cash proceeds received in connection with any Collateral to reduce any of the Indebtedness then due and owing under the Loan Documents; (iii) exchange any of the securities or other Equity Interests pledged as Collateral for any other property upon any merger, consolidation, reorganization, recapitalization or other readjustment of the issuer thereof, and, in connection therewith, to deposit and deliver any and all of such securities or other Equity Interests with any committee, depository, transfer agent, registrar or other designated agent upon such terms and conditions as Secured Party may deem necessary or appropriate; (iv) exercise or comply with any conversion, exchange, redemption, subscription or any other right, privilege or option pertaining to any securities or other Equity Interest pledged as Collateral; provided, however, except as provided herein, Secured Party shall not have a duty to exercise or comply with any such right, privilege or option (whether conversion, redemption or otherwise) and shall not be responsible for any delay or failure to do so; and (v) file any claims or take any action or institute any proceedings which Secured Party may deem necessary or appropriate for the collection and/or preservation of the Collateral or otherwise to enforce the rights of Secured Party with respect to the Collateral; provided further, Secured Party may exercise such power of attorney at any time (including when an Event of Default does not exist) if Secured Party reasonably believes that such exercise is necessary to protects its rights under this Agreement. **THE PROXY AND POWER OF ATTORNEY HEREIN GRANTED, AND EACH STOCK POWER AND SIMILAR POWER NOW OR HEREAFTER GRANTED (INCLUDING ANY EVIDENCED BY A SEPARATE WRITING), ARE COUPLED WITH AN INTEREST AND ARE IRREVOCABLE PRIOR TO FINAL INDEFEASIBLE PAYMENT IN FULL OF THE INDEBTEDNESS AND THE TERMINATION OF ALL COMMITMENTS OF SECURED PARTY TO EXTEND CREDIT PURSUANT TO THE LOAN DOCUMENTS.**

(b) Performance by Secured Party. If Grantor fails to perform any agreement or obligation provided herein, Secured Party may itself perform, or cause performance of, such agreement or obligation, and the expenses of Secured Party incurred in connection therewith shall be a part of the Indebtedness, secured by the Collateral and payable by Grantor on demand.

Notwithstanding any other provision herein to the contrary, Secured Party does not have any duty to exercise or continue to exercise any of the foregoing rights and shall not be responsible for any failure to do so or for any delay in doing so.

10. *Events of Default*. Each of the following constitutes an "Event of Default" under this Agreement:

(a) Default Under Loan Documents. The existence of an Event of Default (as defined in the Credit Agreement) under this Agreement or any of the other Loan Documents; or

(b) Execution on Collateral. The Collateral or any portion thereof is taken on execution or other process of law in any action against Grantor or any attachment, sequestration or similar writ is levied upon any Collateral; or

(c) Abandonment. Grantor abandons the Collateral or any portion thereof; or

(d) Dilution of Ownership. The issuer of any securities or other Equity Interests constituting Collateral hereafter issues any shares of any class of capital stock or other Equity Interests (unless promptly upon issuance, additional securities or other Equity Interests are pledged and delivered to Secured Party pursuant to the terms hereof to the extent necessary to give Secured Party a security interest after such issuance in at least the same percentage of such issuer's outstanding securities or other Equity Interests as Secured Party had before such issuance) or any options, warrants or other rights to purchase any such capital stock or other Equity Interests;

(e) Search Report; Opinion. Secured Party shall receive at any time following the execution of this Agreement a search report or opinion of counsel indicating that Secured Party's security interest is not prior to all other Liens (other than Permitted Liens), security interests or other interests reflected in the report or opinion.

11. *Remedies and Related Rights*. If an Event of Default exists, and without limiting any other rights and remedies provided herein, under any of the other Loan Documents or otherwise available to Secured Party, Secured Party may, subject to Section 18, exercise one or more of the rights and remedies provided in this Section 11.

(a) Remedies. Secured Party may from time to time at its discretion, without limitation and without notice:

(i) exercise in respect of the Collateral all the rights and remedies of a secured party under the Code (whether or not the Code applies to the affected Collateral);

(ii) reduce its claim to judgment or foreclose or otherwise enforce, in whole or in part, the security interest granted hereunder by any available judicial procedure;

(iii) sell or otherwise dispose of, at its office, on the premises of Grantor or elsewhere, the Collateral, as a unit or in parcels, by public or private proceedings, and by way of one or more contracts (it being agreed that the sale or other disposition of any part of the Collateral shall not exhaust Secured Party's power of sale, but sales or other dispositions may be made from time to time until all of the Collateral has been sold or disposed of or until the Indebtedness has been paid and performed in full), and at any such sale or other disposition it shall not be necessary to exhibit any of the Collateral;

(iv) buy the Collateral, or any portion thereof, at any public sale;

(v) buy the Collateral, or any portion thereof, at any private sale if the Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations;

(vi) apply for the appointment of a receiver for the Collateral, and Grantor hereby consents to any such appointment; and

(vii) at its option, retain the Collateral in satisfaction of the Indebtedness whenever the circumstances are such that Secured Party is entitled to do so under the Code or otherwise, to the full extent permitted by the Code, Secured Party shall be permitted to elect whether such retention shall be in full or partial satisfaction of the Indebtedness.

In the event Secured Party shall elect to sell the Collateral, Secured Party may sell the Collateral without giving any warranties as and shall be permitted to specifically disclaim any warranties of title or the like. Further, if Secured Party sells any of the Collateral on credit, Grantor will be credited only with payments actually made by the purchaser, received by Secured Party and applied to the Indebtedness. In the event any purchaser fails to pay for the Collateral, Secured Party may resell the Collateral and Grantor shall be credited with the proceeds of the sale actually received by Secured Party and applied to the Indebtedness. Grantor agrees that in the event Grantor or any Obligor is entitled to receive any notice under the Code, as it exists in the state governing any such notice, of the sale or other disposition of any Collateral, reasonable notice shall be deemed given when such notice is delivered in accordance with the Credit Agreement ten (10) days prior to the date of any public sale, or after which a private sale, of any of such Collateral is to be held. Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Grantor further acknowledges and agrees that the redemption by Secured Party of any certificate of deposit pledged as Collateral shall be deemed to be a commercially reasonable disposition under Section 9.610 of the Code.

(b) Private Sale of Securities; Further Approvals.

(i) Grantor recognizes that Secured Party may be unable to effect a public sale of all or any part of the securities or other Equity Interests pledged as Collateral because of restrictions in applicable securities Laws, insurance Laws and contractual restrictions and that Secured Party may, therefore, determine to make one or more private sales of any such securities or other Equity Interests to a restricted group of purchasers who will be obligated to agree, among other things, to acquire such securities or other Equity Interests for their own account, for investment and not with a view to the distribution or resale thereof. Grantor acknowledges that each such private sale may be at prices and other terms less favorable than what might have been obtained at a public sale and, notwithstanding the foregoing, agrees that each such private sale shall be deemed to have been made in a commercially reasonable manner and that Secured Party shall have no obligation to delay the sale of any such securities or other Equity Interests for the period of time necessary to permit the issuer to register such securities or other Equity Interests for public sale under any securities Laws. Grantor further acknowledges and agrees that any offer to sell such securities or other Equity Interests which has been made privately in the manner described above to not less than five (5) bona fide offerees shall be deemed to involve a "public sale" for the purposes of Chapter 9 of the Code, notwithstanding that such sale may not constitute a "public offering" under any securities Laws and that Secured Party may, in such event, bid for the purchase of such securities or other Equity Interests.

(ii) In connection with the exercise by Secured Party of its rights hereunder that effects the disposition of or use of any Collateral (including, without limitation, the exercise of rights and remedies as set forth in Section 18), it may be necessary to obtain the prior consent or approval of Governmental Authorities and other Persons to a transfer or assignment of Collateral, including, without limitation, any Governmental Authorities regulating any issuer of Collateral or Grantor and their respective Affiliates. Grantor agrees, if an Event of Default exists, to execute, deliver, and file, and hereby appoints Secured Party as its attorney-in-fact, to execute, deliver, and file on Grantor's behalf and in Grantor's name, all applications, certificates, filings, instruments, and other documents (including without limitation any application for an assignment or transfer of control or ownership) that may be necessary or appropriate, in Secured Party's opinion, and to obtain such consents, waivers, or approvals under applicable Laws and agreements prior to an Event of Default. Grantor further agrees to use its best efforts to obtain the foregoing consents, waivers, and approvals, including receipt of consents, waivers, and approvals under applicable Laws and agreements prior to an Event of Default. Grantor acknowledges that there is no adequate remedy at law for failure by it to comply with the provisions of this Section and that such failure would not be adequately compensable in damages, and therefore agrees that this Section may be specifically enforced.

(c) Application of Proceeds. If any Event of Default exists, Secured Party may at its discretion apply or use any cash held by Secured Party as Collateral, and any cash proceeds received by Secured Party in respect of any sale or other disposition of, collection from, or other realization upon, all or any part of the Collateral as follows:

(i) to the repayment or reimbursement of the costs and expenses (including, without limitation, Attorney Costs) incurred by Secured Party in connection with (A) the administration of the Loan Documents, (B) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, the Collateral, and (C) the exercise or enforcement of any of the rights and remedies of Secured Party hereunder;

(ii) to the payment or other satisfaction of any Liens and other encumbrances upon the Collateral;

(iii) by holding such cash and proceeds as Collateral;

(iv) in accordance with Credit Agreement Section 9.3;

(v) to the payment of any other amounts required by applicable Law (including without limitation, Section 9.615(a)(3) of the Code or any other applicable statutory provision); and (vi) by delivery to Grantor or any other party lawfully entitled to receive such cash or proceeds whether by direction of a court of competent jurisdiction or otherwise.

(d) Deficiency. In the event that the proceeds of any sale of, collection from, or other realization upon, all or any part of the Collateral by Secured Party are insufficient to pay all amounts to which Secured Party is legally entitled, Grantor and each other Obligor and any Person who guaranteed or is otherwise obligated to pay all or any portion of the Indebtedness shall be liable for the deficiency, together with interest thereon as provided in the Loan Documents, to the full extent not prohibited by the Code.

(e) Non-Judicial Remedies. In granting to Secured Party the power to enforce its rights hereunder without prior judicial process or judicial hearing, Grantor expressly waives, renounces and knowingly relinquishes any legal right which might otherwise require Secured Party to enforce its rights by judicial process. Grantor recognizes and concedes that non-judicial remedies are consistent with the usage of trade, are responsive to commercial necessity and are the result of a bargain at arm's length. Nothing herein is intended to prevent Secured Party or Grantor from resorting to judicial process at either party's option, subject to Grantor's waiver set forth above.

(f) Other Recourse. Grantor waives any right to require Secured Party to proceed against any third party, exhaust any Collateral or other security for the Indebtedness, or to have any third party joined with Grantor in any suit arising out of the Indebtedness or any of the Loan Documents, or pursue any other remedy available to Secured Party. Grantor further waives any and all notice of acceptance of this Agreement and of the creation, modification, rearrangement, renewal or extension of the Indebtedness. Grantor further waives any defense arising by reason of any disability or other defense of any third party or by reason of the cessation from any cause whatsoever of the liability of any third party. Until all of the Indebtedness shall have been finally paid in full in cash and all obligations of Secured Party to extend credit to or for the benefit of any Obligor pursuant to the Loan Documents are terminated, Grantor shall have no right of subrogation and Grantor waives the right to enforce any remedy which Secured Party has or may hereafter have against any third party, and waives any benefit of and any right to participate in any other security whatsoever now or hereafter held by Secured Party. Grantor authorizes Secured Party, and without notice or demand and without any reservation of rights against Grantor and without affecting Grantor's liability hereunder or on the Indebtedness, to (i) take or hold any other property of any type from any third party as security for the Indebtedness, and exchange, enforce, waive and release any or all of such other property, (ii) apply such other property and direct the order or manner of sale thereof as Secured Party may in its discretion determine, (iii) renew, extend, accelerate, modify, compromise, settle or release any of the Indebtedness or other security for the Indebtedness, (iv) waive, enforce or modify any of the provisions of any of the Loan Documents executed by any third party, and (v) release or substitute any third party.

(g) Voting Rights. If an Event of Default exists, Grantor will not exercise any voting rights with respect to securities or other Equity Interests pledged as Collateral. Grantor hereby irrevocably appoints Secured Party as Grantor's attorney-in-fact (such power of attorney being coupled with an interest and exercisable if an Event of Default exists) and proxy to exercise any voting rights with respect to Grantor's securities and other Equity Interests, subject to Section 18.

(h) Dividend Rights and Interest Payments. If an Event of Default exists:

(i) all rights of Grantor to receive and retain the dividends and interest payments which it would otherwise be authorized to receive and retain pursuant to Section 3 shall automatically cease, and all such rights shall thereupon become vested with Secured Party which shall thereafter have the sole right to receive, hold and apply as Collateral such dividends and interest payments; and

(ii) all dividend and interest payments which are received by Grantor contrary to the provisions of clause (i) of this Section 11(h) shall be received in trust for the benefit of Secured Party, shall be segregated from other funds of Grantor, and shall be forthwith paid over to Secured Party in the exact form received (properly endorsed or assigned if requested by Secured Party), to be held by Secured Party as Collateral.

12. *Intentionally Omitted.*

13. *Miscellaneous*.

(a) Entire Agreement. This Agreement and the other Loan Documents contain the entire agreement of Secured Party and Grantor with respect to the Collateral. If the parties hereto are parties to any prior agreement, either written or oral, relating to the Collateral, the terms of this Agreement shall amend and supersede the terms of such prior agreements as to transactions on or after the effective date of this Agreement, but all security agreements, financing statements, guaranties, other contracts and notices for the benefit of Secured Party shall continue in full force and effect to secure the Indebtedness unless Secured Party specifically releases its rights thereunder by separate release.

(b) Amendment. No modification, consent or amendment of any provision of this Agreement or any of the other Loan Documents shall be valid or effective unless the same is in writing and authenticated by the party against whom it is sought to be enforced, except to the extent of amendments specifically permitted by the Code without authentication by the Grantor or any other Obligor.

(c) Actions by Secured Party. The Lien and other rights of Secured Party hereunder shall not be impaired by (i) any renewal, extension, increase or modification with respect to the Indebtedness, (ii) any surrender, compromise, release, renewal, extension, exchange or substitution which Secured Party may grant with respect to the Collateral, or (iii) any release or indulgence granted to any endorser, guarantor or surety of the Indebtedness. The taking of additional security by Secured Party shall not release or impair the Lien or other rights of Secured Party hereunder or affect the obligations of Grantor hereunder.

(d) Waiver by Secured Party. Secured Party may waive any Event of Default without waiving any other prior or subsequent Event of Default. Secured Party may remedy any default without waiving the Event of Default remedied. Subject to applicable Statute of Limitations laws, neither the failure by Secured Party to exercise, nor the delay by Secured Party in exercising, any right or remedy upon any Event of Default shall be construed as a waiver of such Event of Default or as a waiver of the right to exercise any such right or remedy at a later date. No single or partial exercise by Secured Party of any right or remedy hereunder shall exhaust the same or shall preclude any other or further exercise thereof, and every such right or remedy hereunder may be exercised at any time. No waiver of any provision hereof or consent to any departure by Grantor therefrom shall be effective unless the same shall be in writing and signed by Secured Party and then such waiver or consent shall be effective only in the specific instances, for the purpose for which given and to the extent therein specified. No notice to or demand on Grantor in any case shall of itself entitle Grantor to any other or further notice or demand in similar or other circumstances.

(e) Transfer Restriction Waiver. To the extent not prohibited by Applicable Law, Grantor hereby agrees that any provision of any Organizational Documents of any issuer of Collateral, any designation of rights or similar agreement with respect to any Equity Interest of such issuer, any voting or similar equityholder agreement with respect to such issuer or any other organization or governance document with respect to such issuer, any agreement related to any debt issued by such issuer, or any Applicable Law that in any manner restricts, prohibits or provides conditions to (i) the grant of a Lien on any security, Equity Interest of or any interest in, or any debt issued by, such issuer, (ii) any transfer of any security, Equity Interest of or any interest in, or any debt issued by, such issuer, (iii) any change in management or control of such issuer, or (iv) any other exercise of any rights of Secured Party pursuant to this Agreement, any other Loan Document or Law shall not apply to (A) the grant of any Lien hereunder, (B) the execution, delivery and performance of this Agreement by Grantor, (C) the foreclosure or other realization upon any interest in any Collateral, (D) the admission of Secured Party or its assignee or any other holder of any Collateral as an equityholder of such issuer and the exercise of all rights of an equityholder of such issuer, or (E) the exercise of all rights of a holder of debt of such issuer. Furthermore, Grantor agrees that it will not permit any amendment to or restatement of any Organizational Documents of any issuer of Collateral, any designation of rights or similar agreement with respect to any Equity Interest of such issuer, any voting or similar equityholder agreement with respect to such issuer, any other organization or governance document with respect to such issuer, or any agreement related to debt of such issuer, in any manner to adversely affect Secured Party's ability to foreclose or otherwise realize on any Collateral or which conflicts with the provisions of this Section without the prior written consent of Secured Party.

(f) Controlling Law; Venue. This Agreement is executed and delivered as an incident to a lending transaction negotiated and consummated in Harris County, Texas, and shall be governed by and construed in accordance with the Laws of the State of Texas, except to the extent that perfection and the effect of perfection or non-perfection of the security interest granted hereunder, in respect of any particular Collateral, are governed by the Laws of a jurisdiction other than the State of Texas. Grantor, for itself and its successors and assigns, hereby irrevocably (i) submits to the nonexclusive jurisdiction of the state and federal courts in Texas, (ii) waives, to the fullest extent not prohibited by Law, any objection that it may now or in the future have to the laying of venue of any litigation arising out of or in connection with any Loan Document brought in the District Court of Collin County, Texas, or in the United States District Court for the Southern District of Texas, Houston Division, (iii) waives any objection it may now or hereafter have as to the venue of any such action or proceeding brought in such court or that such court is an inconvenient forum, (iv) agrees that any legal proceeding against any party to any Loan Document arising out of or in connection with any of the Loan Documents may be brought in one of the foregoing courts, and (v) agrees that service of process upon it may be made by certified or registered mail, return receipt requested, at its address specified herein. Nothing herein shall affect the right of Secured Party to serve process in any other manner permitted by Law or shall limit the right of Secured Party to bring any action or proceeding against Grantor or with respect to any of Grantor's property in courts in other jurisdictions. The scope of each of the foregoing waivers is intended to be all encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including, without limitation, contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. Grantor acknowledges that these waivers are a material inducement to Secured Party's agreement to enter into agreements and obligations evidenced by the Loan Documents, that Secured Party has already relied on these waivers and will continue to rely on each of these waivers in related future dealings. The waivers in this Section are irrevocable, meaning that they may not be modified either orally or in writing, and these waivers apply to any future renewals, extensions, amendments, modifications, or replacements in respect of the applicable Loan Document. In connection with any litigation, this Agreement may be filed as a written consent to a trial by the court.

(g) Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be illegal, invalid or unenforceable under present or future Laws, such provision shall be fully severable, shall not impair or invalidate the remainder of this Agreement and the effect thereof shall be confined to the provision held to be illegal, invalid or unenforceable.

(h) No Obligation. Nothing contained herein shall be construed as an obligation on the part of Secured Party to extend or continue to extend credit to or for the benefit of any Obligor.

(i) Notices. All notices, requests, demands or other communications required or permitted to be given pursuant to this Agreement shall be delivered in the manner set forth in Section 10.2 of the Credit Agreement to the intended addressee at the address set forth on the first page hereof or to such different address as the addressee shall have designated by written notice sent pursuant to the terms hereof. Either party shall have the right to change its address for notice hereunder to any other location within the continental United States by notice to the other party of such new address at least ten (10) days' prior to the effective date of such new address.

(j) Binding Effect and Assignment. This Agreement (i) creates a continuing security interest in the Collateral, (ii) shall be binding on Grantor and the successors and assigns of Grantor, and (iii) shall inure to the benefit of Secured Party and its successors and assigns. Without limiting the generality of the foregoing, Secured Party may pledge, assign or otherwise transfer the Indebtedness and its rights under this Agreement and any of the other Loan Documents to any other party. Grantor's rights and obligations hereunder may not be assigned or otherwise transferred without the prior written consent of Secured Party.

(k) Termination. It is contemplated by the parties hereto that from time to time there may be no outstanding Indebtedness, but notwithstanding such occurrences, this Agreement shall remain valid and shall be in full force and effect as to subsequent outstanding Indebtedness. Upon (i) the indefeasible satisfaction in full of the Indebtedness, (ii) the termination or expiration of each commitment of Secured Party to extend credit to or for the benefit of each Obligor, (iii) written request for the termination hereof delivered by Grantor to Secured Party, and (iv) written release delivered by Secured Party to Grantor, this Agreement and the security interests created hereby shall terminate. Upon termination of this Agreement and Grantor's written request, Secured Party will, at Grantor's sole cost and expense, return to Grantor such of the Collateral as shall not have been sold or otherwise disposed of or applied pursuant to the terms hereof and execute and deliver to Grantor such documents as Grantor shall reasonably request to evidence such termination. Grantor agrees that to the extent that Secured Party receives any payment or benefit and such payment or benefit, or any part thereof, is subsequently invalidated, declared to be fraudulent or preferential, set aside or is required to be repaid to a trustee, receiver, or any other Person under any Debtor Relief Law, common law or equitable cause, then to the extent of such payment or benefit, the Indebtedness or part thereof intended to be satisfied shall be revived and continued in full force and effect as if such payment or benefit had not been made and, further, any such repayment by Secured Party, to the extent that Secured Party did not directly receive a corresponding cash payment, shall be added to and be additional Indebtedness payable upon demand by Secured Party and secured hereby, and, if the Lien and security interest, any power of attorney, proxy or license hereof shall have been released, such Lien and security interest, power of attorney, proxy and license shall be reinstated with the same effect and priority as on the date of execution hereof all as if no release of such Lien or security interest, power of attorney, proxy or license had ever occurred. This Section 13(k) shall survive the termination of this Agreement, and any satisfaction and discharge of each Debtor by virtue of any payment, court order, or Law.

(l) Cumulative Rights. All rights and remedies of Secured Party hereunder are cumulative of each other and of every other right or remedy which Secured Party may otherwise have at law or in equity or under any of the other Loan Documents, and the exercise of one or more of such rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of any other rights or remedies. Further, except as specifically noted as a waiver herein, no provision of this Agreement is intended by the parties to this Agreement to waive any rights, benefits or protection afforded to Secured Party under the Code.

(m) Gender and Number. Within this Agreement, words of any gender shall be held and construed to include the other gender, and words in the singular number shall be held and construed to include the plural and words in the plural number shall be held and construed to include the singular, unless in each instance the context requires otherwise.

(n) Descriptive Headings. The headings in this Agreement are for convenience only and shall in no way enlarge, limit or define the scope or meaning of the various and several provisions hereof.

14. *Financing Statement Filings*. Grantor recognizes that financing statements pertaining to the Collateral have been or may be filed in one or more of the following jurisdictions: the location of Grantor's principal residence, the location of Grantor's place of business, the location of Grantor's chief executive office, or other such place as the Grantor may be "located" under the provisions of the Code; where Grantor maintains any Collateral, or has its records concerning any Collateral, as the case may be. Without limitation of any other covenant herein, Grantor will neither cause or permit any change in the location of (a) any Collateral, (b) any records concerning any Collateral, or (c) Grantor's principal residence, the location of Grantor's place of business, or the location of Grantor's chief executive office, as the case may be, to a jurisdiction other than as represented in Section 6(g), nor will Grantor change its name or the Organizational Information as represented in Section 6(g), unless Grantor shall have notified Secured Party in writing of such change at least thirty (30) days prior to the effective date of such change, shall have complied with the Credit Agreement and shall have first taken all action required by Secured Party for the purpose of further perfecting or protecting the security interest in favor of Secured Party in the Collateral. In any written notice furnished pursuant to this Section 14, Grantor will expressly state that the notice is required by this Agreement and contains facts that may require additional filings of financing statements, amendments or other notices for the purpose of continuing perfection of Secured Party's security interest in the Collateral.

Without limiting Secured Party's rights hereunder, Grantor authorizes Secured Party to file financing statements or amendments thereto under the provisions of the Code as amended from time to time.

15. *Consent to Disclose Information*. Grantor authorizes and consents to the disclosure by Secured Party of all information relating to the Loan Documents to any other party to each account pledged as Collateral and upon which a security interest is granted herein, including, but not limited to, information regarding the name of Obligors and the amount, date and maturity of the credit facilities under the Loan Documents.

16. *Counterparts; Facsimile Documents and Signatures*. This Agreement may be separately executed in any number of counterparts, each of which will be an original, but all of which, taken together, will be deemed to constitute one and the same instrument. For purposes of negotiating and finalizing this Agreement, if this document or any document executed in connection with it is transmitted by facsimile machine, electronic mail or other electronic transmission, it will be treated for all purposes as an original document. Additionally, the signature of any party on this document transmitted by way of a facsimile machine or electronic mail will be considered for all purposes as an original signature. Any such transmitted document will be considered to have the same binding legal effect as an original document. At the request of any party, any faxed or electronically transmitted document will be re-executed by each signatory party in an original form.

17. *Imaging of Documents*. Grantor (a) understands and agrees that Secured Party's document retention policy may involve the electronic imaging of executed Loan Documents and the destruction of the paper originals, and (b) waives any right that it may have to claim that the imaged copies of the Loan Documents are not originals.

18. *Electronic Signatures and Electronic Records*. Each party to this Agreement consents to the use of electronic and/or digital signatures by one or both parties. This Agreement, and any other documents requiring a signature hereunder, may be signed electronically or digitally in a manner specified solely by Prosperity Bank. The parties agree not to deny the legal effect or enforceability of this Agreement solely because (i) the Agreement is entirely in electronic or digital form, including any use of electronically or digitally generated signatures, or (ii) an electronic or digital record was used in the formation of this Agreement or the Agreement was subsequently converted to an electronic or digital record by one or both parties. The parties agree not to object to the admissibility of this Agreement in the form of an electronic or digital record, or a paper copy of an electronic or digital document, or a paper copy of a document bearing an electronic or digital signature, on the grounds that the record or signature is not in its original form or is not the original of the Agreement or the Agreement does not comply with Chapter 26 of the Texas Business and Commerce Code.

19. *Limitation of Remedies*. Notwithstanding anything to the contrary contained herein or in any of the other Loan Documents, Secured Party may not exercise any right or remedy hereunder over all or any part of the Collateral which results in a change of control of any RIC sufficient to require either the filing of (a) a National Association of Insurance Commissioners Form A or (b) an application for an exemption from the requirement to file such a form with the applicable Insurance Regulator unless Secured Party has first obtained the consent of all applicable Insurance Regulators required under Law.

20. ***ENTIRE AGREEMENT*. THIS WRITTEN AGREEMENT, TOGETHER WITH THE OTHER LOAN DOCUMENTS, REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES HERETO. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

EXECUTED as of the date first written above.

GRANTOR:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation

By: _____

Print Name: _____

Print Title: _____

SECURED PARTY:

PROSPERITY BANK, a Texas banking association

By: _____
Todd Coultas, Vice President

Pledge Agreement

Index of Schedules

SCHEDULE A
TO
PLEDGE AND SECURITY AGREEMENT
DATED DECEMBER 6, 2019,
BY AND BETWEEN
PROSPERITY BANK
AND
HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.

The following property is a part of the Collateral as defined in Section 1(b):

A. All capital stock and other Equity Interests of HIIG Service Company, a Delaware corporation now or hereafter owned beneficially or of record by Grantor.

Capital stock issued and outstanding on the date of the Agreement:

1,000 shares of common stock of HIIG Service Company, a Delaware corporation, as evidenced by certificate no. 3 issued in the name of Grantor.

Such common stock represents all of the authorized, issued and outstanding shares of stock of HIIG Service Company, a Delaware corporation.

B. All capital stock and other Equity Interests of HIIG Underwriters Agency, Inc., a Texas corporation now or hereafter owned beneficially or of record by Grantor.

Capital stock issued and outstanding on the date of the Agreement:

1,000 shares of common stock of HIIG Underwriters Agency, Inc., a Texas corporation, as evidenced by certificate no. 2 issued in the name of Grantor.

As of the date of this Agreement, such common stock represents all of the authorized, issued and outstanding shares of common stock of HIIG Underwriters Agency, Inc., a Texas corporation.

C. All capital stock and other Equity Interests of Houston Specialty Insurance Company, a Delaware corporation, now or hereafter owned beneficially or of record by Grantor.

Capital stock issued and outstanding on the date of the Agreement:

3,000,000 shares of common stock of Houston Specialty Insurance Company, a Delaware corporation, as evidenced by certificate no. 1 issued in the name of Grantor.

As of the date of this Agreement, such common stock represents all of the authorized, issued and outstanding shares of common stock of Houston Specialty Insurance Company, a Delaware corporation.

SCHEDULE B
TO
PLEDGE AND SECURITY AGREEMENT
DATED DECEMBER 6, 2019,
BY AND BETWEEN
PROSPERITY BANK
AND
HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.

Issuer Name:	HIIG Service Company
Jurisdiction of Incorporation:	Delaware
Federal Taxpayer I.D. Number:	45-5463484
Authorized Capital Stock:	3,000 shares of common stock
Issued Capital Stock:	1,000 shares of common stock
Outstanding Capital Stock:	1,000 shares of common stock
Issuer Name:	HIIG Underwriters Agency, Inc.
Jurisdiction of Incorporation:	Texas
Federal Taxpayer I.D. Number:	76-0165558
Authorized Capital Stock:	1,000 shares of common stock 9,000 of preferred stock
Issued Capital Stock:	1,000 shares of common stock
Outstanding Capital Stock:	1,000 shares of common stock
Issuer Name:	Houston Specialty Insurance Company
Jurisdiction of Incorporation:	Delaware
Federal Taxpayer I.D. Number:	20-8249009
Authorized Capital Stock:	5,000,000 shares of common stock
Issued Capital Stock:	3,000,000 shares of common stock
Outstanding Capital Stock:	3,000,000 shares of common stock

SCHEDULE C
TO
PLEDGE AND SECURITY AGREEMENT
DATED DECEMBER 6, 2019,
BY AND BETWEEN
PROSPERITY BANK
AND
HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.

Chief Executive Office(s) of Grantor:

Stephen L. Way
800 Gesner Road
Suite 600
Houston, Texas 77024

EXHIBIT C

BORROWER SECURITY AGREEMENT

SECURITY AGREEMENT

Borrower/		Lender/	
Grantor:	Houston International Insurance Group, Ltd.	Secured Party:	Prosperity Bank
Address:	800 Gessner Road, 6th Floor	Address:	5851 Legacy Circle, Suite 1200
	Houston, Texas 77024		Plano, Texas 75024

THIS SECURITY AGREEMENT ("Agreement") is dated December 6, 2019, by and between Borrower identified above ("Borrower") and Lender ("Secured Party"). Borrower hereby agrees with Secured Party as follows:

1. *Definitions*. As used in this Agreement, the following terms shall have the meanings indicated below:

(a) "Code" means the Uniform Commercial Code as in effect in the State of Texas or of any other state having jurisdiction with respect to any of the rights and remedies of Secured Party on the date of this Agreement or as it may hereafter be amended from time to time.

(b) "Collateral" means all of the personal property of Grantor including but not limited to, wherever located, and now owned or hereafter acquired:

(i) All "accounts", as defined in the Code (including all health care insurance receivables), together with any and all books of account, customer lists and in any case where an account arises from the sale of goods, the interest of Grantor in such goods.

(ii) All "inventory" as defined in the Code.

(iii) All "chattel paper" as defined in the Code.

(iv) All "equipment" as defined in the Code, of whatsoever kind and character now or hereafter possessed, held, acquired, leased or owned by Grantor and used or usable in Grantor's business, and in any event shall include, but shall not be limited to, all machinery, tools, computer software, office equipment, furniture, appliances, furnishings, fixtures, vehicles, motor vehicles, together with all replacements, accessories, additions, substitutions and accessions to all of the foregoing, and all manuals and instructions. To the extent that the foregoing property is located on, attached to, annexed to, related to, or used in connection with, or otherwise made a part of, and is or shall become fixtures upon, real property, such real property and the record owner thereof (if other than Grantor) is described on Schedule 1 attached hereto and made a part hereof.

(v) All "fixtures" as defined in the Code.

(vi) All "instruments" as defined in the Code (including promissory notes).

(vii) All "investment property" as defined in the Code.

(viii) All "documents" as defined in the Code.

(ix) All "deposit accounts" as defined in the Code.

(x) All "commercial tort claims" as defined in the Code, including but not limited to all commercial tort claims described on Schedule 8.

(xi) All "letter of credit rights" as defined in the Code.

(xii) All "general intangibles" as defined in the Code, including all rights in all payment intangibles, permits, regulatory approvals, copyrights, patents, trademarks, service marks, trade names, mask works, goodwill, licenses and all other intellectual property owned by Grantor or used in Grantor's business.

(xiii) All "supporting obligations" as defined in the Code.

(xiv) All Patents, Trademarks, Copyrights, and Licenses.

(xv) All commissions (including, but not limited to, all insurance, reinsurance, placement and broker commissions) and other payments owed to Grantor in consideration for services performed or to be performed and goods provided or to be provided by Grantor and its Subsidiaries, all renewal and reinstatement commissions and payments, and all contractual rights of Grantor and its Subsidiaries to receive such commissions or any other payments with respect to the other foregoing and following property and all future commissions, including but not limited to any of the foregoing that were earned by or owed to Grantor or such Subsidiary prior to or after the commencement of any proceeding under any Debtor Relief Law involving Grantor or such Subsidiary but which were received by Grantor or such Subsidiary after the commencement of such proceeding under any Debtor Relief Law.

(xvi) All records relating in any way to the foregoing and following (including, without limitation, any computer software, whether on tape, disk, card, strip, cartridge or any other form).

(xvii) Collateral also includes all PRODUCTS and PROCEEDS of all of the foregoing (including without limitation, insurance payable by reason of loss or damage to the foregoing property) and any property, securities, guaranties or monies of Grantor which may at any time come into the possession of Secured Party. The designation of proceeds does not authorize Grantor to sell, transfer or otherwise convey any of the foregoing property except as otherwise provided herein or in the other Loan Documents.

(c) "Copyright License" means any agreement, now or hereafter in effect, granting any right to any third party under any Copyright now or hereafter owned by Grantor or which Grantor otherwise has the right to license, or granting any right to Grantor under any Copyright now or hereafter owned by any third party, and all rights of Grantor under any such agreement.

(d) "Copyrights" means (i) all copyright rights in any work subject to the copyright Laws of any Governmental Authority, whether as author, assignee, transferee, or otherwise, (ii) all registrations and applications for registration of any such copyright in any Governmental Authority, including registrations, recordings, supplemental registrations, and pending applications for registration in any jurisdiction, and (iii) all rights to use and/or sell any of the foregoing.

(e) "Credit Agreement" means the Credit Agreement dated as of December 6, 2019, between Grantor and Secured Party, together with all amendments and restatements thereto.

(f) "Grantor" means Borrower, a corporation, who is organized in the State of Delaware.

(g) "Indebtedness" means (i) all indebtedness, obligations and liabilities of Grantor and each other Obligor to Secured Party of any kind or character, now existing or hereafter arising, whether direct, indirect, related, unrelated, fixed, contingent, liquidated, unliquidated, joint, several or joint and several, and regardless of whether such indebtedness, obligations and liabilities may, prior to their acquisition by Secured Party, be or have been payable to or in favor of a third party and subsequently acquired by Secured Party (it being contemplated that Secured Party may make such acquisitions from third parties), including without limitation all indebtedness, obligations and liabilities of Grantor and each other Obligor to Secured Party now existing or hereafter arising by note, draft, acceptance, guaranty, endorsement, letter of credit, assignment, purchase, overdraft, discount, indemnity agreement or otherwise, (ii) all indebtedness, obligations and liabilities now or hereafter existing of Grantor and each other Obligor under the Credit Agreement and each other Loan Document (including, but not limited to, the Obligations), (iii) all Secured Obligations, (iv) all accrued but unpaid interest (including all interest that would accrue but for the existence of a proceeding under any Debtor Relief Laws) on any of the indebtedness, obligations and liabilities described in this definition of "Indebtedness," (v) all indebtedness, obligations and liabilities of Grantor and each other Obligor to Secured Party under any documents evidencing, securing, governing and/or pertaining to all or any part of the indebtedness, obligations and liabilities described in this definition of "Indebtedness," (vi) all reasonable costs and expenses incurred by Secured Party prior to an Event of Default and all costs and expenses incurred by Secured Party following an Event of Default in connection with the collection and administration of all or any part of the indebtedness, obligations and liabilities described in this definition of "Indebtedness" or the protection or preservation of, or realization upon, the collateral securing all or any part of such indebtedness, obligations and liabilities, including without limitation all Attorney Costs, and (vii) all renewals, extensions, modifications and rearrangements of the indebtedness, obligations and liabilities described in this definition of "Indebtedness".

(h) "License" means any Patent License, Trademark License, Copyright License, or other similar license or sublicense.

(i) "Patent License" means any agreement, now or hereafter in effect, granting to any third party any right to make, use or sell any invention on which a Patent, now or hereafter owned by Grantor or which Grantor otherwise has the right to license, is in existence, or granting to Grantor any right to make, use or sell any invention on which a Patent, now or hereafter owned by any third party, is in existence, and all rights of Grantor under any such agreement.

(j) "Patents" means (i) all letters patent of any Governmental Authority, all registrations and recordings thereof, and all applications for letters patent of any Governmental Authority, and (ii) all reissues, continuations, divisions, continuations-in-part, renewals, or extensions thereof, and the inventions disclosed or claimed therein, including the right to make, use and/or sell the inventions disclosed or claimed therein.

(k) "Pledged Debt" means all Indebtedness owed to Grantor, the instruments evidencing such indebtedness, and all interest, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such indebtedness.

(l) "Software" means all right, title, and interest of Grantor in and to software (as defined in the Code), and (whether or not included in such definition), a computer program (including both source and object code) and any supporting information provided in connection with a transaction relating to the program.

(m) "Trademark License" means any agreement, now or hereafter in effect, granting to any third party any right to use any Trademark now or hereafter owned by Grantor or which Grantor otherwise has the right to license, or granting to Grantor any right to use any Trademark now or hereafter owned by any third party, and all rights of Grantor under any such agreement.

(n) "Trademarks" means (i) all trademarks, service marks, trade names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, logos, other source or business identifiers, designs and general intangibles of like nature, all registrations and recordings thereof, and all registration and recording applications filed with any Governmental Authority in connection therewith, and all extensions or renewals thereof, (ii) all goodwill associated therewith or symbolized thereby, (iii) all other assets, rights and interests that uniquely reflect or embody such goodwill, and (iv) all rights to use and/or sell any of the foregoing.

All words and phrases used herein which are expressly defined in Section 1.201 or Chapter 9 of the Code shall have the meaning provided for therein. Other words and phrases defined elsewhere in the Code shall have the meaning specified therein except to the extent such meaning is inconsistent with a definition in Section 1.201 or Chapter 9 of the Code. Capitalized terms not otherwise defined herein have the meaning specified in the Credit Agreement.

2. *Security Interest*. As security for the Indebtedness, Grantor, for value received, hereby pledges and grants to Secured Party, to the extent permitted by and subject to all limits of, Applicable Law, a continuing security interest in the Collateral.

3. *Representations and Warranties*. In addition to any representations and warranties of Grantor set forth in the Loan Documents, which are incorporated herein by this reference, Grantor hereby represents and warrants the following to Secured Party:

(a) Authority. The execution, delivery and performance of this Agreement and all of the other Loan Documents by Grantor have been duly authorized by all necessary limited liability company action of Grantor.

(b) Accuracy of Information. All information heretofore, herein or hereafter supplied to Secured Party by or on behalf of Grantor with respect to Grantor and the Collateral is true and correct in all material respects. The exact name of Grantor, as stated in the currently effective Organizational Documents of Grantor as filed with the appropriate authority of Grantor's jurisdiction of organization, is as stated on Schedule 1.

(c) Enforceability. This Agreement and the other Loan Documents constitute legal, valid and binding obligations of Grantor, enforceable in accordance with their respective terms, except as limited as to enforcement of remedies by Debtor Relief Laws and except to the extent specific remedies may generally be limited by equitable principles.

(d) Ownership and Liens. Grantor has good and marketable title to the Collateral free and clear of all Liens or adverse claims, except for Permitted Liens. No dispute, right of setoff, counterclaim or defense exists with respect to all or any part of the Collateral. Grantor has not executed any other security agreement currently affecting the Collateral and no effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording office except as may have been executed or filed in favor of Secured Party. Grantor has not been a party to a securitization or similar transaction involving assets of Grantor during the five years preceding the date of this Agreement.

(e) No Conflicts or Consents. Neither the ownership, the intended use of the Collateral by Grantor, the grant of the security interest by Grantor to Secured Party herein nor the exercise by Secured Party of its rights or remedies hereunder, will (i) conflict with any provision of (A) any Law, (B) the Organizational Documents of Grantor, or (C) any material agreement, judgment, license, order or permit applicable to or binding upon Grantor, or (ii) result in or require the creation of any Lien upon any assets or properties of Grantor or of any Person except as may be expressly contemplated in the Loan Documents. Except as expressly contemplated in the Loan Documents, no consent, approval, authorization or order of, and no notice to or filing with, any Governmental Authority or other Person is required in connection with the grant by Grantor of the security interest herein or the exercise by Secured Party of its rights and remedies hereunder.

(f) Security Interest. Grantor has and will have at all times full right, power and authority to grant a security interest in the Collateral to Secured Party in the manner provided herein, free and clear of any Lien or other charge or encumbrance (other than Permitted Liens). This Agreement creates a legal, valid and binding security interest in favor of Secured Party in the Collateral securing the Indebtedness. To the extent permitted in the Code, possession by Secured Party of all certificates, instruments and cash constituting Collateral from time to time and/or the filing of the financing statements delivered prior hereto and/or concurrently herewith by Grantor to Secured Party will perfect and establish the first priority of Secured Party's security interest hereunder in the Collateral. Upon the filing of a financing statement describing the Collateral with the Uniform Commercial Code filing office described on Schedule 1, the security interest granted pursuant to this Agreement shall be perfected and prior to all other Liens (other than Permitted Liens) therein (to the extent such security interest can be perfected by the filing of a financing statement).

(g) Location/Identity. Grantor's principal place of business and chief executive office (as those terms are used in the Code), is located at the address set forth on the first page hereof. Except as specified elsewhere herein, all Collateral and records concerning the Collateral shall be kept at such address. Grantor's exact legal name, entity type, state of organization and federal taxpayer identification number (the "Organizational Information") are as set forth on Schedule 1. Grantor is not organized in more than one jurisdiction. Except as provided herein, the Organizational Information shall not change. During the five years preceding the date of this Agreement, Grantor has not had or operated under any name other than its name as stated on Schedule 1, has not been organized under the Laws of any jurisdiction other than Delaware, has not been organized as any type of entity other than a corporation. Schedule 1 is a complete and correct description of all addresses where Collateral is kept. Except for Collateral in the possession of Secured Party and Collateral in the possession of or subject to the control of third parties described on Schedule 1, Grantor has exclusive possession and control of all Collateral and all records related to Collateral.

(h) Solvency of Grantor. As of the date hereof, and after giving effect to this Agreement and the completion of all other transactions contemplated by Grantor at the time of the execution of this Agreement, Grantor is and will be Solvent. Grantor is not entering into this Agreement or any other Loan Document to which Grantor is a party or its property is subject with the intent of hindering, delaying or defrauding any creditor.

(i) Exclusion of Certain Collateral. Unless otherwise agreed by Secured Party, the Collateral does not include any aircraft, watercraft or vessels, railroad cars, railroad equipment, locomotives or other rolling stock intended for a use related to interstate commerce.

(j) Compliance with Environmental Laws. Except as disclosed in writing to Secured Party: (i) Grantor is conducting Grantor's businesses in material compliance with all applicable federal, state and local Laws, orders, determinations and court decisions, including without limitation, those pertaining to health or environmental matters such as the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 (collectively, together with any subsequent amendments, hereinafter called "CERCLA"), the Resource Conservation and Recovery Act of 1976, as amended by the Used Oil Recycling Act of 1980, the Solid Waste Disposal Act Amendments of 1980, and the Hazardous Substance Waste Amendments of 1984 (collectively, together with any subsequent amendments, hereinafter called "RCRA"), the Texas Water Code and the Texas Solid Waste Disposal Act; (ii) to the Knowledge of the Company, none of the operations of Grantor is the subject of a federal, state or local investigation evaluating whether any material remedial action is needed to respond to a release or disposal of any toxic or hazardous substance or solid waste into the environment; (iii) Grantor has not filed any notice under any Law indicating that Grantor is responsible for the release into the environment, the disposal on any premises in which Grantor is conducting its businesses or the improper storage, of any material amount of any toxic or hazardous substance or solid waste or that any such toxic or hazardous substance or solid waste has been released, disposed of or is improperly stored, upon any premise on which Grantor is conducting its businesses; and Grantor otherwise does not have any known material contingent liability in connection with the release into the environment, disposal or the improper storage, of any such toxic or hazardous substance or solid waste. The terms "hazardous substance" and "release", as used herein, shall have the meanings specified in CERCLA, and the terms "solid waste" and "disposal", as used herein, shall have the meanings specified in RCRA; provided, however, that to the extent that the Laws of the State of Texas establish meanings for such terms which are broader than that specified in either CERCLA or RCRA, such broader meanings shall apply.

(k) Inventory. The security interest in the inventory shall continue through all stages of manufacture and shall, without further action, attach to the accounts or other proceeds resulting from the sale or other disposition thereof and to all such inventory as may be returned to Grantor by its account debtors.

(l) Accounts. Each account represents the valid and legally binding indebtedness of a bona fide account debtor arising from the sale or lease by Grantor of goods or the rendition by Grantor of services and is not subject to contra accounts, setoffs, defenses or counterclaims by or available to account debtors obligated on the accounts except as disclosed by Grantor to Secured Party from time to time in writing. The amount shown as to each account on Grantor's books is the true and undisputed amount owing and unpaid thereon, subject only to discounts, allowances, rebates, credits and adjustments to which the account debtor has a right and which have been disclosed to Secured Party in writing.

(m) Chattel Paper, Documents and Instruments. The chattel paper, documents and instruments of Grantor pledged hereunder have only one original counterpart and no party other than Grantor or Secured Party is in actual or constructive possession of any such chattel paper, documents or instruments. No chattel paper is electronic chattel paper.

(n) Patents. Schedule 2 is a complete and correct list of each Patent in which Grantor has any interest (whether as owner, licensee, or otherwise), including the name of the registered owner, the nature of Grantor's interest, the Patent registration number, the date of Patent issuance, and the country issuing the Patent.

(o) Patent Applications. Schedule 3 is a complete and correct list of each Patent application in which Grantor has any interest (whether as owner, licensee, or otherwise), including the name of the Person applying to be the registered owner, the nature of Grantor's interest, the Patent application number, the date of Patent filing, and the country with which the Patent application was filed.

(p) Trademarks. Schedule 4 is a complete and correct list of each Trademark in which Grantor has any interest (whether as owner, licensee, or otherwise), including the name of the registered owner, the nature of Grantor's interest, the registered Trademark, the Trademark registration number, the international class covered, the goods and services covered, the date of Trademark registration, and the country registering the Trademark.

(q) Trademark Applications. Schedule 5 is a complete and correct list of each Trademark application in which Grantor has any interest (whether as owner, licensee, or otherwise), including the name of the Person applying to be the registered owner, the nature of Grantor's interest, the Trademark the subject of the application, the Trademark application serial number, the international class covered, the goods and services covered, the date of Trademark application filing, and the country with which the Trademark application was filed.

(r) Copyrights. Schedule 6 is a complete and correct list of each Copyright in which Grantor has any interest (whether as owner, licensee, or otherwise), including the name of the registered owner, the nature of Grantor's interest, the registered Copyright, the date of Copyright issuance, and the country issuing the Copyright.

(s) Copyright Applications. Schedule 7 is a complete and correct list of each Copyright application in which Grantor has any interest (whether as owner, licensee, or otherwise), including the name of the Person applying to be the registered owner, the nature of Grantor's interest, the Copyright the subject of the application, the date of Copyright application filing, and the country with which the Copyright application was filed.

(t) Commercial Tort Claims. Schedule 8 is a complete and correct list of all commercial tort claims in which Grantor has any interest, including the complete case name or style, the case number, and the court or other Governmental Authority in which the case is pending.

(u) Deposit Accounts. Schedule 9 is a complete and correct list of all deposit accounts maintained by or in which Grantor has any interest and correctly describes the bank in which such account is maintained (including the specific branch), the street address (including the specific branch) and ABA number of such bank, the account number, and account type.

(v) Commodity Accounts. Schedule 10 is a complete and correct list of all commodity accounts in which Grantor has any interest, including the complete name and identification number of the account, a description of the governing agreement, and the name and street address of the commodity intermediary maintaining the account.

(w) Securities Accounts. Schedule 11 is a complete and correct list of all securities accounts in which Grantor has any interest, including the complete name and identification number of the account, a description of the governing agreement, and the name and street address of the securities intermediary maintaining the account.

(x) Letters of Credit. Schedule 12 is a complete and correct list of all letters of credit in which Grantor has any interest (other than solely as an applicant) and correctly describes the bank which issued the letter of credit, and the letter of credit's number, issue date, expiry, and face amount.

(y) Debt. Schedule 13 is a complete and correct list of all Pledged Debt, promissory notes and other instruments evidencing indebtedness held by Grantor, including all intercompany notes and other instruments between Grantor and each Subsidiary.

(z) Software. Schedule 14 is a complete and correct list of all Software (excluding "mass market" Software (i) subject to a "shrink-wrap" or similar non-negotiable, non-exclusive license agreement and (ii) not material to the operations of Grantor or used in processing material information of Grantor) in which Grantor has any interest (whether as owner, licensee, or otherwise), including the name of the licensor and the escrow agent under the applicable Software escrow agreement (if any).

(aa) Internet. Schedule 15 is a complete and correct list of all internet domain names, the complete name of the registered owner, and the domain registration provider for each domain name and internet website in which Grantor has any interest.

4. *Affirmative Covenants*. In addition to all covenants and agreements of Grantor set forth in the Loan Documents, which are incorporated herein by this reference, Grantor will comply with the covenants contained in this Section 4 at all times during the period of time this Agreement is effective unless Secured Party shall otherwise consent in writing.

(a) Ownership and Liens. Grantor will maintain good and marketable title to all Collateral free and clear of all Liens or adverse claims, except for the security interest created by this Agreement and the security interests and other encumbrances expressly permitted herein or by the other Loan Documents. Grantor will not permit any dispute, right of setoff, counterclaim or defense to exist with respect to all or any part of the Collateral. Grantor will cause any financing statement or other security instrument with respect to the Collateral to be terminated, except as may exist or as may have been filed in favor of Secured Party or as permitted by the Credit Agreement or this Agreement. Grantor hereby irrevocably appoints Secured Party as Grantor's attorney-in-fact, such power of attorney being coupled with an interest, with full authority in the place and stead of Grantor and in the name of Grantor or otherwise, for the purpose of terminating any financing statements currently filed with respect to the Collateral. Grantor will defend at its expense Secured Party's right, title and security interest in and to the Collateral against the claims of any third party.

(b) Further Assurances. Grantor will from time to time at its expense promptly execute and deliver all further instruments and documents and take all further action necessary or appropriate or that Secured Party may reasonably request in order (i) to perfect and protect the security interest created or purported to be created hereby and the first priority of such security interest, (ii) to enable Secured Party to exercise and enforce its rights and remedies hereunder in respect of the Collateral, and (iii) to otherwise effect the purposes of this Agreement, including without limitation: (A) executing (if requested) and filing such financing or continuation statements, or amendments thereto; and (B) furnishing to Secured Party from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral, all in reasonable detail satisfactory to Secured Party.

(c) Inspection of Collateral. Grantor will keep adequate records concerning the Collateral. Grantor will permit Secured Party and all representatives and agents appointed by Secured Party to inspect any of the Collateral and the books and records of or relating to the Collateral in accordance with Section 6.3 of the Credit Agreement.

(d) Payment of Taxes. Grantor (i) will timely pay all property and other taxes, assessments and governmental charges or levies imposed upon the Collateral or any part thereof, (ii) will timely pay all lawful claims which, if unpaid, might become a Lien or charge upon the Collateral or any part thereof, and (iii) will maintain appropriate accruals and reserves for all such liabilities in a timely fashion in accordance with the Accounting Principles. Grantor may, however, delay paying or discharging any such Taxes, assessments, charges, claims or liabilities so long as the validity thereof is contested in good faith by proper proceedings and provided Grantor has set aside on Grantor's books adequate reserves therefor; provided, however, Grantor understands and agrees that in the event of any such delay in payment or discharge and upon Secured Party's written request, Grantor will establish with Secured Party an escrow reasonably acceptable to Secured Party adequate to cover the payment of such Taxes, assessments and governmental charges with interest, costs and penalties and a reasonable additional sum to cover possible costs, interest and penalties (which escrow shall be returned to Grantor upon payment of such taxes, assessments, governmental charges, interests, costs and penalties or disbursed in accordance with the resolution of the contest to the claimant) or furnish Secured Party with an indemnity bond secured by a deposit in cash or other security reasonably acceptable to Secured Party. Notwithstanding any other provision contained in this Subsection, Secured Party may at its discretion exercise its rights under Subsection 6(c) at any time to pay such Taxes, assessments, governmental charges, interest, costs and penalties.

(e) Control Agreements. Grantor will cooperate with Secured Party in obtaining a control agreement in form and substance satisfactory to Secured Party with respect to Collateral consisting of:

(A) deposit accounts;

(B) investment property;

(C) letter-of-credit rights; and

(D) electronic chattel paper.

(f) Condition of Goods. Grantor will maintain, preserve, protect and keep all Collateral which constitutes goods in good condition, repair and working order, ordinary wear and tear excepted, and will cause such Collateral to be used and operated in good and workmanlike manner, in accordance with applicable Laws and in a manner which will not make void or cancelable any insurance with respect to such Collateral. Grantor will promptly make or cause to be made all repairs, replacements and other improvements to or in connection with the Collateral which Secured Party may reasonably request from time to time.

(g) Insurance. Grantor will, at its own expense, maintain such insurance as is required pursuant to the Credit Agreement. If requested, each policy of insurance maintained by Grantor shall name Grantor and Secured Party as insured parties thereunder (without any representation or warranty by or obligation upon Secured Party) as their interests may appear. Grantor will, if requested by Secured Party, deliver to Secured Party original or duplicate policies of such insurance and, as often as Secured Party may reasonably request, a report of a reputable insurance broker with respect to such insurance.

TEXAS FINANCE CODE SECTION 307.052 COLLATERAL PROTECTION INSURANCE NOTICE (IF GRANTOR IS A "DEBTOR" AS DEFINED IN SUCH SECTION): (A) GRANTOR IS REQUIRED TO: (i) KEEP THE COLLATERAL INSURED AGAINST DAMAGE IN THE AMOUNT SECURED PARTY AND THE LOAN DOCUMENTS SPECIFY; (ii) PURCHASE THE INSURANCE FROM AN INSURER THAT IS AUTHORIZED TO DO BUSINESS IN THE STATE OF TEXAS OR AN ELIGIBLE SURPLUS LINES INSURER; AND (iii) NAME SECURED PARTY AS THE PERSON TO BE PAID UNDER THE POLICY OR POLICIES IN THE EVENT OF A LOSS; (B) GRANTOR MUST, IF REQUIRED BY SECURED PARTY OR THE LOAN DOCUMENTS, DELIVER TO SECURED PARTY A COPY OF EACH POLICY AND PROOF OF THE PAYMENT OF PREMIUMS; AND (C) IF GRANTOR FAILS TO MEET ANY REQUIREMENT LISTED IS CLAUSES (A) OR (B), SECURED PARTY MAY OBTAIN COLLATERAL PROTECTION INSURANCE ON BEHALF OF GRANTOR AT GRANTOR'S EXPENSE.

(h) Accounts and General Intangibles. Grantor will, except as otherwise provided in Subsection 6(e), collect, at Grantor's own expense, all amounts due or to become due under each of the accounts and general intangibles. In connection with such collections, Grantor may and, at Secured Party's direction, will take such action not otherwise forbidden by Subsection 5(d) as Grantor or Secured Party may reasonably deem necessary or advisable to enforce collection or performance of each of the accounts and general intangibles. Grantor will also duly perform and cause to be performed all of its obligations with respect to the goods or services, the sale or lease or rendition of which gave rise or will give rise to each account and all of its obligations to be performed under or with respect to the general intangibles. Grantor also covenants and agrees to take any action and/or execute any documents that Secured Party may reasonably request in order to comply with the Federal Assignment of Claims Act, as amended, and similar Laws applicable to Accounts as to which a Governmental Authority is the account debtor.

(i) Chattel Paper, Documents and Instruments. Grantor will take such action as may be requested by Secured Party in order to cause any chattel paper, documents or instruments to be valid and enforceable and will cause all chattel paper to have only one original counterpart. Upon request by Secured Party, Grantor will deliver to Secured Party all originals of chattel paper, documents or instruments and will mark all chattel paper with a legend indicating that such chattel paper is subject to the security interest granted hereunder.

(j) Patents, Trademarks, and Copyrights.

(i) Grantor shall cause fully executed security agreements in the form of Exhibit A (with respect to Patents), Exhibit B (with respect to Trademarks), and Exhibit C (with respect to Copyrights) (or in such other form as Secured Party may agree to) and containing a description of all Collateral consisting of Patents, Trademarks, Copyrights, and Licenses to be received and recorded by the United States Patent and Trademark Office within one month after the execution of this Agreement with respect to United States Patents and Trademarks and by the United States Copyright Office within one month after the execution of this Agreement with respect to United States registered Copyrights, and otherwise as may be required pursuant to the Laws of any other necessary jurisdiction, to protect the validity of and to establish a legal, valid, and perfected security interest in favor of Secured Party in respect of all Collateral consisting of Patents, Trademarks, Copyrights, and Licenses in which a security interest may be perfected by filing, recording, or registration in the United States and its territories and possessions, or in any other necessary jurisdiction, and no further or subsequent filing, refiling, recording, rerecording, registration, or reregistration is necessary (other than such actions as are necessary to perfect the security interest with respect to any Collateral consisting of Patents, Trademarks, Copyrights, and Licenses (or registration or application for registration thereof) acquired or developed after the date hereof).

(ii) Grantor (either itself or through licensees or sublicensees) will not do any act, or omit to do any act, whereby any Patent which is material to the conduct of Grantor's business may become invalidated or dedicated to the public, and shall continue to mark any products covered by a Patent with the relevant patent number as necessary and sufficient to establish and preserve its maximum rights under applicable Laws.

(iii) Grantor (either itself or through licensees or sublicensees) will, for each Trademark material to the conduct of Grantor's business, (A) maintain such Trademark in full force free from any claim of abandonment or invalidity for non-use, (B) maintain the quality of products and services offered under such Trademark, (C) display such Trademark with notice of United States federal or foreign registration to the extent necessary and sufficient to establish and preserve its maximum rights under applicable Law, and (D) not use or permit the use of such Trademark in violation of any third party rights.

(iv) Grantor (either itself or through licensees or sublicensees) will, for each work covered by a Copyright material to the conduct of Grantor's business, continue to publish, reproduce, display, adopt, and distribute the work with appropriate copyright notice as necessary and sufficient to establish and preserve its maximum rights under applicable Laws

(v) In no event shall Grantor, either itself or through any agent, employee, licensee, or designee, file an application for any Patent, Trademark, or Copyright (or for the registration of any Patent, Trademark or Copyright) with the United States Patent and Trademark Office, United States Copyright Office, or any Governmental Authority in any jurisdiction or obtain any new License, unless it promptly informs Secured Party, and, upon request of Secured Party, executes and delivers any and all agreements, instruments, documents, and papers as Secured Party may reasonably request to evidence Secured Party's security interest in such Patent, Trademark, Copyright or License, and Grantor hereby appoints Secured Party as its attorney-in-fact to execute and file such writings for the foregoing purposes.

5. *Negative Covenants*. Grantor will comply with the covenants contained in this Section 5 at all times during the period of time this Agreement is effective, unless Secured Party shall otherwise consent in writing.

(a) Impairment of Security Interest. Grantor will not take or fail to take any action which would in any manner impair the value or enforceability of Secured Party's security interest in any Collateral.

(b) Possession of Collateral. Grantor will not cause or permit the removal of any Collateral from its possession, control and risk of loss, nor will Grantor cause or permit the removal of any Collateral (or records concerning the Collateral) from the address on the first page hereof and the addresses specified on Schedule 1 other than (i) as permitted by this Agreement or the Credit Agreement, (ii) in connection with the possession of any Collateral by Secured Party or by its bailee, or (iii) as necessary in the ordinary course of business. If any Collateral is in the possession of a third party, Grantor will join with Secured Party in notifying the third party of Secured Party's security interest therein and obtaining an acknowledgment from the third party that it is holding the Collateral for the benefit of Secured Party.

(c) Goods. Grantor will not permit any Collateral which constitutes goods to at any time (i) be covered by any document except documents in the possession of the Secured Party, (ii) become so related to, attached to or used in connection with any particular real property so as to become a fixture upon such real property, or (iii) be installed in or affixed to other goods so as to become an accession to such other goods unless such other goods are subject to a perfected first priority security interest under this Agreement.

(d) Compromise of Collateral. Grantor will not adjust, settle, compromise, amend or modify any Collateral, except an adjustment, settlement, compromise, amendment or modification in good faith and in the ordinary course of business; provided, however, this exception shall automatically terminate if an Event of Default exists or upon Secured Party's written request. Grantor shall provide to Secured Party such information concerning (i) any adjustment, settlement, compromise, amendment or modification of any Collateral, and (ii) any claim asserted by any account Grantor for credit, allowance, adjustment, dispute, setoff or counterclaim, as Secured Party may request from time to time.

(e) Financing Statement Filings. Grantor recognizes that financing statements pertaining to the Collateral have been or may be filed in one or more of the following jurisdictions: the jurisdiction of Grantor's organization or other such place as the Grantor may be "located" under the provisions of the Code or where Grantor maintains any Collateral, or has its records concerning any Collateral, as the case may be. Without limitation of any other covenant herein, Grantor will neither cause or permit any change in the location of (i) any Collateral, (ii) any records concerning any Collateral, or (iii) Grantor's principal place of business, or the location of Grantor's chief executive office, as the case may be, to a jurisdiction other than as represented in Subsection 3(g), nor will Grantor change its name or the Organizational Information as represented in Subsection 3(g), unless Grantor shall have notified Secured Party in writing of such change at least thirty (30) days prior to the effective date of such change, shall have complied with the Credit Agreement, and shall have first taken all actions required by Secured Party for the purpose of further perfecting or protecting the security interest in favor of Secured Party in the Collateral and the priority thereof. In any written notice furnished pursuant to this Subsection, Grantor will expressly state that the notice is required by this Agreement and contains facts that may require additional filings of financing statements or other notices for the purpose of continuing perfection of Secured Party's security interest in the Collateral. Grantor irrevocably authorizes Secured Party at any time and from time to time to file in any UCC jurisdiction any initial financing statements and amendments thereto that indicate the Collateral as all assets of Grantor or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article or Chapter 9 of the UCC.

Without limiting Secured Party's rights hereunder, Grantor irrevocably authorizes Secured Party to file financing statements and continuations and amendments thereto under the provisions of the Code (or other applicable Law) as amended from time to time.

(f) Marking of Chattel Paper. Grantor will not create any chattel paper without placing a legend on the chattel paper acceptable to Secured Party indicating that Secured Party has a security interest in the chattel Paper. Grantor will not permit any chattel paper to be electronic chattel paper.

(g) Deposit Accounts, Investment Property. Grantor shall not establish or maintain, or have any interest in, any (i) deposit account not listed on Schedule 9, (ii) commodity account not listed on Schedule 10, or (iii) securities account not listed on Schedule 11.

6. *Rights of Secured Party*. Secured Party shall have the rights contained in this Section 6 at all times during the period of time this Agreement is effective.

(a) Additional Financing Statements Filings. Grantor hereby authorizes Secured Party to file, without the signature or authentication of Grantor, one or more financing or continuation statements, and amendments thereto, relating to the Collateral. Grantor further agrees that a carbon, photographic or other reproduction of this Security Agreement or any financing statement describing any Collateral is sufficient as a financing statement and may be filed in any jurisdiction Secured Party may deem appropriate.

(b) Power of Attorney. Grantor hereby irrevocably appoints Secured Party as Grantor's attorney-in-fact, such power of attorney (together with each other power of attorney granted pursuant to this Agreement or a separate writing) being coupled with an interest, with full authority in the place and stead of Grantor and in the name of Grantor or otherwise, exercisable if an Event of Default exists, to take any action and to execute any instrument which Secured Party may deem necessary or appropriate to accomplish the purposes of this Agreement, including without limitation: (i) to obtain and adjust insurance required by Secured Party hereunder or under any other Loan Document; (ii) to demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of the Collateral; (iii) to receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection with clause (i) or (ii) above; and (iv) to file any claims or take any action or institute any proceedings which Secured Party may deem necessary or appropriate for the collection and/or preservation of the Collateral or otherwise to enforce the rights of Secured Party with respect to the Collateral.

(c) Performance by Secured Party. If Grantor fails to perform any agreement or obligation provided herein, Secured Party may itself perform, or cause performance of, such agreement or obligation, and the expenses of Secured Party incurred in connection therewith shall be a part of the Indebtedness, secured by the Collateral and payable by Grantor on demand.

(d) Grantor's Receipt of Proceeds. In the Event of a Default, all amounts and proceeds (including instruments and writings) received by Grantor in respect of accounts or general intangibles shall be received in trust for the benefit of Secured Party hereunder and, upon request of Secured Party, shall be segregated from other property of Grantor and shall be forthwith delivered to Secured Party in the same form as so received (with any necessary endorsement) and applied to the Indebtedness in such manner as Secured Party deems appropriate in its sole discretion.

(e) Notification of Account Debtors. Secured Party may at its discretion from time to time notify any or all debtors under any accounts or general intangibles (i) of Secured Party's security interest in such accounts or general intangibles and direct such account debtors and other obligors to make payment of all amounts due or to become due to Grantor thereunder directly to Secured Party, and (ii) to verify the accounts or general intangibles with such account debtors and other obligors. Secured Party shall have the right, at the expense of Grantor, to enforce collection of any such accounts or general intangibles and adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as Grantor.

(f) Licenses. For purposes of enabling Secured Party to exercise rights and remedies under this Agreement, Grantor grants to Secured Party an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to Grantor or any other Person, provided, that if the license granted to Secured Party is a sublicense, Grantor shall be solely responsible for, and indemnify Secured Party against, any royalty or other compensation payable to Grantor's licensor or other Person) to use all of Grantor's software, and including in such license reasonable access to all media in which any of the licensed items may be recorded and all related manuals. For the purpose of enabling Secured Party to exercise rights and remedies under this Agreement, Grantor grants to Secured Party an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to Grantor or any other Person) to use, license, or sub-license any of the Collateral consisting of Patents, Trademarks, Copyrights, and Licenses and wherever the same may be located, and including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all software used for the use, compilation, or printout thereof. The use of such license by Secured Party shall be exercised, at the option of Secured Party, if an Event of Default exists.

7. *Events of Default*. Each of the following constitutes an "Event of Default" under this Agreement:

(a) Default Under Loan Documents. The occurrence of an Event of Default (as defined in the Credit Agreement) under this Agreement or any of the other Loan Documents; or

(b) Abandonment. Grantor abandons any Collateral having a value of or greater than $500,000 (either as to a single asset or cumulatively as to separate assets); or

(c) Action by Other Lienholder. The holder of any Lien on the Collateral (without hereby implying the consent of Secured Party to the existence or creation of any such Lien on the Collateral) or any other asset of Grantor having a value of $500,000 or greater declares a default thereunder or institutes foreclosure or other proceedings for the enforcement of its remedies thereunder; or

(d) Search Report; Opinion. Secured Party shall receive at any time following the execution of this Agreement a search report or an opinion of counsel indicating that Secured Party's security interest is not prior to all other Liens or security interests (other than Permitted Liens) reflected in the report or opinion.

8. *Remedies and Related Rights*. If an Event of Default exists, and without limiting any other rights and remedies provided herein, under any of the other Loan Documents or otherwise available to Secured Party, Secured Party may exercise one or more of the rights and remedies provided in this Section.

(a) Remedies. Secured Party may from time to time at its discretion, without limitation and without notice except as expressly provided in any of the Loan Documents:

(i) exercise in respect of the Collateral all the rights and remedies of a secured party under the Code (whether or not the Code applies to the affected Collateral);

(ii) require Grantor to, and Grantor hereby agrees that it will at its expense and upon request of Secured Party, assemble the Collateral as directed by Secured Party and make it available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to both parties;

(iii) reduce its claim to judgment or foreclose or otherwise enforce, in whole or in part, the security interest granted hereunder by any available judicial procedure;

(iv) sell or otherwise dispose of, at its office, on the premises of Grantor or elsewhere, the Collateral, as a unit or in parcels, by public or private proceedings, and by way of one or more contracts (it being agreed that the sale or other disposition of any part of the Collateral shall not exhaust Secured Party's power of sale, but sales or other dispositions may be made from time to time until all of the Collateral has been sold or disposed of or until the Indebtedness has been paid and performed in full), and at any such sale or other disposition it shall not be necessary to exhibit any of the Collateral;

(v) buy the Collateral, or any portion thereof, at any public sale;

(vi) buy the Collateral, or any portion thereof, at any private sale if the Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations;

(vii) apply for the appointment of a receiver for the Collateral, and Grantor hereby consents to any such appointment; and

(viii) at its option, retain the Collateral in satisfaction of the Indebtedness whenever the circumstances are such that Secured Party is entitled to do so under the Code or otherwise, to the full extent permitted by the Code, Secured Party shall be permitted to elect whether such retention shall be in full or partial satisfaction of the Indebtedness.

In the event Secured Party shall elect to sell the Collateral, Secured Party may sell the Collateral without giving any warranties and shall be permitted to specifically disclaim any warranties of title or the like. Further, if Secured Party sells any of the Collateral on credit, Grantor will be credited only with payments actually made by the purchaser, received by Secured Party and applied to the Indebtedness. In the event the purchaser fails to pay for the Collateral, Secured Party may resell the Collateral and Grantor shall be credited with the proceeds of the sale. Grantor agrees that in the event Grantor or any Obligor is entitled to receive any notice under the Code, as it exists in the state governing any such notice, of the sale or other disposition of any Collateral, reasonable notice shall be deemed given if it is given in accordance with the Credit Agreement. Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) Private Sale; Further Approvals.

(i) Grantor recognizes that Secured Party may be unable to effect a public sale of all or any part of the Collateral because of restrictions in applicable Laws and contractual restrictions and that Secured Party may, therefore, determine to make one or more private sales of any such Collateral to a restricted group of purchasers who will be obligated to agree, among other things, to acquire such Collateral subject to applicable Laws and contractual restrictions. Grantor acknowledges that any such private sale may be at prices and other terms less favorable than what might have been obtained at a public sale and, notwithstanding the foregoing, agrees that each such private sale shall be deemed to have been made in a commercially reasonable manner.

(ii) In connection with the exercise by Secured Party of its rights hereunder that effects the foreclosure on, disposition of or use of any Collateral, it may be necessary for Secured Party to obtain the prior consent or approval of Governmental Authorities and other Persons to a transfer or assignment of Collateral.

(iii) Grantor shall, if an Event of Default exists, execute, deliver, and file, and authorizes Secured Party pursuant to the power of attorney herein granted, to execute, deliver, and file on Grantor's behalf and in Grantor's name, all applications, certificates, filings, instruments, and other documents (including without limitation any application for an assignment or transfer of control or ownership) that may be reasonably necessary or appropriate, in Secured Party's opinion, and to obtain such consents, waivers, and approvals under applicable Laws and agreements prior to an Event of Default. Grantor acknowledges that there is no adequate remedy at law for failure by it to comply with the provisions of this Section and that such failure would not be adequately compensable in damages, and therefore agrees that this Section may be specifically enforced.

(c) Application of Proceeds. If any Event of Default exists, Secured Party may at its discretion apply or use any cash held by Secured Party as Collateral, and any cash proceeds received by Secured Party in respect of any sale or other disposition of, collection from, or other realization upon, all or any part of the Collateral as follows:

(i) to the repayment or reimbursement of the costs and expenses (including, without limitation, Attorney Costs) incurred by Secured Party in connection with (A) the administration of the Loan Documents, (B) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, the Collateral, and (C) the exercise or enforcement of any of the rights and remedies of Secured Party hereunder;

(ii) to the payment or other satisfaction of any Liens and other encumbrances upon the Collateral;

(iii) by holding such cash and proceeds as Collateral;

(iv) in accordance with Credit Agreement Section 9.3;

(v) to the payment of any other amounts required by applicable Law (including without limitation, Section 9.615(a)(3) of the Code or any other applicable statutory provision); and

(vi) by delivery to Grantor or any other party lawfully entitled to receive such cash or proceeds whether by direction of a court of competent jurisdiction or otherwise.

(d) Deficiency. In the event that the proceeds of any sale of, collection from, or other realization upon, all or any part of the Collateral by Secured Party are insufficient to pay all amounts to which Secured Party is legally entitled, Grantor and each other Obligor who guaranteed or is otherwise obligated to pay all or any portion of the Indebtedness shall be liable for the deficiency, together with interest thereon as provided in the Loan Documents, to the fullest extent not prohibited by Law.

(e) Non-Judicial Remedies. In granting to Secured Party the power to enforce its rights hereunder without prior judicial process or judicial hearing, Grantor expressly waives, renounces and knowingly relinquishes any legal right which might otherwise require Secured Party to enforce its rights by judicial process. Grantor recognizes and concedes that non-judicial remedies are consistent with the usage of trade, are responsive to commercial necessity and are the result of a bargain at arm's length. Nothing herein is intended to prevent Secured Party or Grantor from resorting to judicial process at either party's option, subject to Grantor's waiver set forth above.

(f) Other Recourse. Grantor waives any right to require Secured Party to proceed against any third party, exhaust any Collateral or other security for the Indebtedness, or to have any third party joined with Grantor in any suit arising out of the Indebtedness or any of the Loan Documents, or pursue any other remedy available to Secured Party. Grantor further waives any and all notice of acceptance of this Agreement and of the creation, modification, rearrangement, renewal or extension of the Indebtedness. Grantor further waives any defense arising by reason of any disability or other defense of any third party or by reason of the cessation from any cause whatsoever of the liability of any third party. Until all of the Indebtedness shall have been paid in full in cash and all obligations of Secured Party to extend credit to any Obligor under the Loan Documents are terminated, Grantor shall have no right of subrogation and Grantor waives the right to enforce any remedy which Secured Party has or may hereafter have against any third party, and waives any benefit of and any right to participate in any other security whatsoever now or hereafter held by Secured Party. Grantor authorizes Secured Party, and without notice or demand and without any reservation of rights against Grantor and without affecting Grantor's liability hereunder or on the Indebtedness to (i) take or hold any other property of any type from any third party as security for the Indebtedness, and exchange, enforce, waive and release any or all of such other property, (ii) apply such other property and direct the order or manner of sale thereof as Secured Party may in its discretion determine, (iii) renew, extend, accelerate, modify, compromise, settle or release any of the Indebtedness or other security for the Indebtedness, (iv) waive, enforce or modify any of the provisions of any of the Loan Documents executed by any third party, and (v) release or substitute any third party.

9. *Intentionally Omitted*.

10. *Miscellaneous*.

(a) Entire Agreement. This Agreement contains the entire agreement of Secured Party and Grantor with respect to the Collateral. If the parties hereto are parties to any prior agreement, either written or oral, relating to the Collateral, the terms of this Agreement shall amend and supersede the terms of such prior agreements as to transactions on or after the effective date of this Agreement, but all security agreements, financing statements, guaranties, other contracts and notices for the benefit of Secured Party shall continue in full force and effect to secure the Indebtedness unless Secured Party specifically releases its rights thereunder by separate release.

(b) Amendment. No modification, consent or amendment of any provision of this Agreement or any of the other Loan Documents shall be valid or effective unless the same is authenticated by the party against whom it is sought to be enforced, except to the extent of amendments specifically permitted by the Code without authentication by the Grantor or Obligor.

(c) Actions by Secured Party. The Lien and other security rights of Secured Party hereunder shall not be impaired by (i) any renewal, extension, increase or modification with respect to the Indebtedness, (ii) any surrender, compromise, release, renewal, extension, exchange or substitution which Secured Party may grant with respect to the Collateral, or (iii) any release or indulgence granted to any Obligor, endorser, guarantor or surety of the Indebtedness. The taking of additional security by Secured Party shall not release or impair the Lien, security interest or other security rights of Secured Party hereunder or affect the obligations of Grantor hereunder.

(d) Waiver by Secured Party. Secured Party may waive any Event of Default without waiving any other prior or subsequent Event of Default. Secured Party may remedy any default without waiving the Event of Default remedied. Neither the failure by Secured Party to exercise, nor the delay by Secured Party in exercising, any right or remedy upon any Event of Default shall be construed as a waiver of such Event of Default or as a waiver of the right to exercise any such right or remedy at a later date. No single or partial exercise by Secured Party of any right or remedy hereunder shall exhaust the same or shall preclude any other or further exercise thereof, and every such right or remedy hereunder may be exercised at any time. No waiver of any provision hereof or consent to any departure by Grantor therefrom shall be effective unless the same shall be in writing and signed by Secured Party and then such waiver or consent shall be effective only in the specific instances, for the purpose for which given and to the extent therein specified. No notice to or demand on Grantor in any case shall of itself entitle Grantor to any other or further notice or demand in similar or other circumstances.

(e) Controlling Law; Venue. This Agreement is executed and delivered as an incident to a lending transaction negotiated and consummated in Collin County, Texas, and shall be governed by and construed in accordance with the Laws of the State of Texas, except to the extent perfection and the effect of perfection or non-perfection of the security interest granted hereunder, in respect of any particular collateral, are governed by the Laws of a jurisdiction other than the State of Texas. Grantor (and Borrower, if Borrower is not the Grantor), for itself and its successors and assigns, hereby irrevocably (i) submits to the nonexclusive jurisdiction of the state and federal courts in Texas, (ii) waives, to the fullest extent not prohibited by Law, any objection that it may now or in the future have to the laying of venue of any litigation arising out of or in connection with any Loan Document brought in the District Court of Collin County, Texas, or in the United States District Court for the Northern District of Texas, Dallas, Division, (iii) waives any objection it may now or hereafter have as to the venue of any such action or proceeding brought in such court or that such court is an inconvenient forum, (iv) agrees that any legal proceeding against any party to any Loan Document arising out of or in connection with any of the Loan Documents may be brought in one of the foregoing courts, and (v) agrees that service of process upon it may be made by certified or registered mail, return receipt requested, at its address specified herein. Nothing herein shall affect the right of Secured Party to serve process in any other manner permitted by Law or shall limit the right of Secured Party to bring any action or proceeding against Grantor (and Borrower, if Borrower is not the Grantor) or with respect to any of Grantor's (or Borrower's, if Borrower is not the Grantor) property in courts in other jurisdictions. The scope of each of the foregoing waivers is intended to be all encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including, without limitation, contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. Grantor (and Borrower, if Borrower is not the Grantor) acknowledges that these waivers are a material inducement to Lender's agreement to enter into agreements and obligations evidenced by the Loan Documents, that Lender has already relied on these waivers and will continue to rely on each of these waivers in related future dealings. The waivers in this Section are irrevocable, meaning that they may not be modified either orally or in writing, and these waivers apply to any future renewals, extensions, amendments, modifications, or replacements in respect of the applicable Loan Document. In connection with any litigation, this Agreement may be filed as a written consent to a trial by the court.

(f) Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be illegal, invalid or unenforceable under present or future Laws, such provision shall be fully severable, shall not impair or invalidate the remainder of this Agreement and the effect thereof shall be confined to the provision held to be illegal, invalid or unenforceable.

(g) No Obligation. Nothing contained herein shall be construed as an obligation on the part of Secured Party to extend or continue to extend credit to Grantor or any other Obligor.

(h) Notices. All notices, requests, demands or other communications required or permitted to be given pursuant to this Agreement shall be delivered in the manner set forth in Section 10.2 of the Credit Agreement to the intended addressee at the address set forth on the first page hereof or to such different address as the addressee shall have designated by written notice sent pursuant to the terms hereof. Either party shall have the right to change its address for notice hereunder to any other location within the continental United States by notice to the other party of such new address at least ten (10) days prior to the effective date of such new address.

(i) Binding Effect and Assignment. This Agreement (i) creates a continuing security interest in the Collateral, (ii) shall be binding on Grantor and the successors and assigns of Grantor, and (iii) shall inure to the benefit of Secured Party and its successors and assigns. Without limiting the generality of the foregoing, Secured Party may pledge, assign or otherwise transfer its interest in the Indebtedness and its rights under this Agreement and any of the other Loan Documents to any other party. Grantor's rights and obligations hereunder may not be assigned or otherwise transferred without the prior written consent of Secured Party.

(j) Termination. It is contemplated by the parties hereto that from time to time there may be no outstanding Indebtedness, but notwithstanding such occurrences, this Agreement shall remain valid and shall be in full force and effect as to subsequent outstanding Indebtedness. Upon (i) the final satisfaction in full of the Indebtedness, (ii) the termination or expiration of each commitment of Secured Party to extend credit to Grantor, (iii) written request for the termination hereof delivered by Grantor to Secured Party, and (iv) written release delivered by Secured Party to Grantor, this Agreement and the security interests created hereby shall terminate. Upon termination of this Agreement and Grantor's written request, Secured Party will, at Grantor's sole cost and expense, return to Grantor such of the Collateral as shall not have been sold or otherwise disposed of or applied pursuant to the terms hereof and execute and deliver to Grantor such documents as Grantor shall reasonably request to evidence such termination. Grantor agrees that to the extent that Secured Party or any holder of Indebtedness receives any payment or benefit and such payment or benefit, or any part thereof, is subsequently invalidated, declared to be fraudulent or preferential, set aside or is required to be repaid to a trustee, receiver, or any other Person under any Debtor Relief Law, common law or equitable cause, then to the extent of such payment or benefit, the Indebtedness or part thereof intended to be satisfied shall be revived and continued in full force and effect as if such payment or benefit had not been made and, further, any such repayment by Secured Party or such holder of Indebtedness, to the extent that Secured Party or such holder of Indebtedness did not directly receive a corresponding cash payment, shall be added to and be additional Indebtedness payable upon demand by Secured Party and secured hereby, and, if the Lien and security interest, any power of attorney, proxy or license hereof shall have been released, such Lien and security interest, power of attorney, proxy and license shall be reinstated with the same effect and priority as on the date of execution hereof all as if no release of such Lien or security interest, power of attorney, proxy or license had ever occurred. This Section 10(j) shall survive the termination of this Agreement, and any satisfaction and discharge of Grantor by virtue of any payment, court order, or Law.

(k) Cumulative Rights. All rights and remedies of Secured Party hereunder are cumulative of each other and of every other right or remedy which Secured Party may otherwise have at law or in equity or under any of the other Loan Documents, and the exercise of one or more of such rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of any other rights or remedies. Further, except as specifically noted as a waiver herein, no provision of this Agreement is intended by the parties to this Agreement to waive any rights, benefits or protection afforded to Secured Party under the Code.

(l) Gender and Number. Within this Agreement, words of any gender shall be held and construed to include the other gender, and words in the singular number shall be held and construed to include the plural and words in the plural number shall be held and construed to include the singular, unless in each instance the context requires otherwise.

(m) Descriptive Headings. The headings in this Agreement are for convenience only and shall in no way enlarge, limit or define the scope or meaning of the various and several provisions hereof.

11. *Consent to Disclose Information*. Borrower authorizes and consents to the disclosure by Secured Party of all information relating to the credit facilities under the Loan Documents to any other party to property pledged as Collateral and upon which a security interest is granted herein, including, but not limited to, information regarding the name of the Borrower and the amount, date and maturity of the credit facilities under the Loan Documents.

12. *Counterparts; Facsimile Documents and Signatures*. This Agreement may be separately executed in any number of counterparts, each of which will be an original, but all of which, taken together, will be deemed to constitute one and the same instrument. For purposes of negotiating and finalizing this Agreement, if this document or any document executed in connection with it is transmitted by facsimile machine, electronic mail or other electronic transmission, it will be treated for all purposes as an original document. Additionally, the signature of any party on this document transmitted by way of a facsimile machine or electronic mail will be considered for all purposes as an original signature. Any such transmitted document will be considered to have the same binding legal effect as an original document. At the request of any party, any faxed or electronically transmitted document will be re-executed by each signatory party in an original form.

13. *Electronic Signatures and Electronic Records*. Each party to this Agreement consents to the use of electronic and/or digital signatures by one or both parties. This Agreement, and any other documents requiring a signature hereunder, may be signed electronically or digitally in a manner specified solely by Prosperity Bank. The parties agree not to deny the legal effect or enforceability of this Agreement solely because (i) the Agreement is entirely in electronic or digital form, including any use of electronically or digitally generated signatures, or (ii) an electronic or digital record was used in the formation of this Agreement or the Agreement was subsequently converted to an electronic or digital record by one or both parties. The parties agree not to object to the admissibility of this Agreement in the form of an electronic or digital record, or a paper copy of an electronic or digital document, or a paper copy of a document bearing an electronic or digital signature, on the grounds that the record or signature is not in its original form or is not the original of the Agreement or the Agreement does not comply with Chapter 26 of the Texas Business and Commerce Code.

14. *Imaging of Documents*. Grantor understands and agrees that (a) Secured Party's document retention policy may involve the electronic imaging of executed Loan Documents and the destruction of the paper originals, and (b) Grantor waives any right that it may have to claim that the imaged copies of the Loan Documents are not originals.

15. ENTIRE AGREEMENT. THIS WRITTEN AGREEMENT, TOGETHER WITH THE OTHER LOAN DOCUMENTS, REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES HERETO. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

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EXECUTED as of the date first written above.

GRANTOR:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation

By: _____
Print Name: _____
Print Title: _____

SECURED PARTY:

PROSPERITY BANK, a Texas banking association

By: _____
Todd Coultas, Vice President

SECURITY AGREEMENT:
DISCLOSURE SCHEDULES

Schedule 1	Organization Information; Real Property
Schedule 2	Registered Patents
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Schedule 4	Registered Trademarks
Schedule 5	Trademark Applications
Schedule 6	Registered Copyrights
Schedule 7	Copyright Applications
Schedule 8	Commercial Tort Claims
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Schedule 10	Commodity Accounts
Schedule 11	Securities Accounts
Schedule 12	Letters of Credit
Schedule 13	Pledged Debt
Schedule 14	Software
Schedule 15	Internet Addresses

Schedule 1	Organization Information; Real Property

Grantor Name: Houston International Insurance Group, Ltd.
Jurisdiction of Organization: Delaware
Entity Type: Corporation
Changes in jurisdiction of organization, name or entity type:
Federal taxpayer identification number: 14-1957288
UCC Filing Office: Delaware
Collateral Locations:

Address	Owner/Lessee	Record Owner
800 Gessner Road Suite 600 Houston, Texas 77024	Houston International Insurance Group, Ltd.	HIIG Service Company
800 Gessner Road Suite 1200 Houston, Texas 77024	Houston International Insurance Group, Ltd.	HIIG Service Company
600 Galleria Parkway Suite 770 Atlanta, Georgia 30339	Houston International Insurance Group, Ltd.	HIIG Service Company
Meadow Brook 100 Suite Two Lake Level 100 Corporate Parkway Birmingham, Alabama 35242	Houston International Insurance Group, Ltd.	HIIG Service Company
1701 Golf Road Tower One, Suite 1112 Rolling Meadows, Illinois 60008	HIIG Service Company	HIIG Service Company

Address	Owner/Lessee	Record Owner
48 Headquarters' Plaza North Tower – 9th Floor Morristown, NJ 07960-6897	Houston International Insurance Group, Ltd.	HIIG Service Company
14911 Quorum Drive Suite 310 Dallas, Texas 75254	HIIG Service Company	HIIG Service Company
1601 Northeast Expressway Valliance Tower, Suite 1305 Oklahoma City, Oklahoma 73118	Houston International Insurance Group, Ltd.	HIIG Service Company
4 High Street Suite 206 North Andover, Massachusetts 01845	HIIG Service Company	HIIG Service Company
401 Edgewater Place Suite 125/130 Wakefield, MA 01880	HIIG Service Company	HIIG Service Company
75 Valley Stream Parkway Suite 250 Malvern, Pennsylvania 19355	HIIG Service Company	HIIG Service Company
8800 E. Raintree Drive Raintree Corporate Center IV, Suite 260 Scottsdale, Arizona 85260	Houston International Insurance Group, Ltd.	HIIG Service Company
111 North Magnolia Avenue 15th Floor, Suite 1525 Orlando, Florida 32801	HIIG Service Company	HIIG Service Company

Address	Owner/Lessee	Record Owner
600 Town Park Lane Ravine Two, Suite 500 Kennesaw, Georgia 30144	HIIG Service Company	HIIG Service Company
547 North Mout Juliet Suite 275 Mount Juliet, Tennessee 37122	HIIG Service Company	HIIG Service Company

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Schedule 2	Registered Patents

Registered Owner	Nature of Grantor's Interest (e.g. owner, licensee)	Registered Patent No.	Issue Date	Country of Issue
None				

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Schedule 3	Patent Applications

Registered Owner	Nature of Grantor's Interest (e.g. owner, licensee)	Serial No.	Filing Date	Country of Issue
None				

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Schedule 4	Registered Trademarks

Registered Owner	Nature of Grantor's Interest (e.g. owner, licensee)	Registered Trademark	Registration No.	Int'l Class Covered	Goods or Services Covered	Date Registered	Country of Registration
HIIG	Owner	Stylized letters "HII"	4,101,286	36	Insurance Services	2.21.2011	USA
Boston Indemnity Company, Inc.	Owner	Letters "BI" stylized	4,306,435	36	Financial Guarantee and Surety	3.19.2013	USA

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Schedule 5	Trademark Applications

Registered Owner	Nature of Grantor's Interest (e.g. owner, licensee)	Trademark Application relates to following Trademark	Serial No.	Int'l Class Covered	Goods or Services Covered	Date of Application	Country of Application
None							

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Schedule 6	Registered Copyrights

Registered Owner	Nature of Grantor's Interest (e.g. owner, licensee)	Serial No.	Copyright	Issue Date	Country of Issue
None					

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Schedule 7	Copyright Applications

Registered Owner	Nature of Grantor's Interest (e.g. owner, licensee)	Registration No.	Copyright	Application Date	Country of Application
None					

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Schedule 8	Commercial Tort Claims

Case Name or Style	Case Number	Court in Which Pending
None		

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Schedule 9	Deposit Accounts

Bank	Branch Name, Street Address	ABA No.	Account No.	Account Name	Account Type
Frost Bank	1700 Post Oak Blvd. Suite 400, Houston TX 77056	114000093	509947795	Houston International Insurance Group Ltd.	Deposit
Frost Bank	1700 Post Oak Blvd. Suite 400, Houston TX 77056	114000093	00000280-710	Houston International Insurance Group Ltd.	Deposit

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Schedule 10	Commodity Accounts

Commodity Intermediary	Street Address	Account Name	Account Number	Commodity Contract Description
None				

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Schedule 11	Securities Accounts

Securities Intermediary	Street Address	Account Name	Account Number	Securities Contract Description
Frost Bank	1700 Post Oak Blvd. Suite 400, Houston TX 77056	Houston International Insurance Group, Ltd.	HA934	Custody
Frost Bank	1700 Post Oak Blvd. Suite 400, Houston TX 77056	Houston International Insurance Group, Ltd	HA93402	Custody

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Schedule 12	Letters of Credit

Bank Issuer	Branch Name, Street Address	Letter of Credit No.	Issue Date	Expiry	Face Amount
None					

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Schedule 13	Pledged Debt

Surplus Loan	20,000,000	Houston Specialty Insurance Company
Intercompany Grid Loan	2,000,000	HIIG Service Company

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Schedule 14		Software		
Software Name	Description	Nature of Debtor's Interest (e.g. owner, licensee)	Licensee Name	Software Escrow Agent
Aviation Old	In house developed client server application for policy administration and claims administration.	Owner	HIIG Service Company	None
BizNet	General Ledger Reporting Software	Licensee	Houston International Insurance Group, Ltd. (HIIG)	None
BondPro	Administration and Billing software for surety division	Licensee	HIIG Service Company	None
CAS Application Services	Accounts Payable system	Owner	HIIG Service Company	None
CAS Reports	Reporting system	Owner	HIIG Service Company	None
Cash-Rex	Web application to claim a cash receipt coming in treasury.	Owner	HIIG Service Company	None
CCR Consolidated Claims Repository	Consolidated Claims Repository	Owner	HIIG Service Company	None

Schedule 14		Software		
Citrix NetScaler	Application Delivery Controller (Load Balancer) and Citrix WebInterface	Licensee	Houston International Insurance Group, Ltd. (HIIG)	None
Citrix Provisioning Services	Creates XenApp virtual desktops	Licensee	Houston International Insurance Group, Ltd. (HIIG)	None
Citrix XenApp	Provides Remote Desktops to end users	Licensee	Houston International Insurance Group, Ltd. (HIIG)	None
Compliance Database - ACDD	Web based application for accounting compliance department for tracking different data calls needed by the states and various agencies.	Owner	HIIG Service Company	None
Compliance Reporting	Report preparation and submission is outsourced. Contracted with IDP and Perr & Knight. Both Internal and External	Owner	HIIG Service Company	None
Crystal Reports	Reporting for General Ledger System	Licensee	Houston International Insurance Group, Ltd. (HIIG)	None
Dashboard - G&G	Client Server application used to collect Policy and Claim data for G&G program.	Owner	HIIG Service Company	None

Schedule 14		Software		
Dashboard - UCA	Client Server application used to collect Policy and Claim data for UCA program.	Owner	HIIG Service Company	None
FSI Track	Unclaimed property tracking system	Licensee	HIIG Service Company	None
Genesis Data Mart	An in house developed data collection and reporting application for the HIIG MGU DIVISION. This application is used by the Program accounting team to validate and prepare data for the GL system	Owner	HIIG Service Company	None
HIIG Global	Customized Policy Administration system	Licensee	GMIC	None
HRCDD	Human Resource Compliance Department Database	Owner	HIIG Service Company	None
ImageRight	Document management and workflow application used by all underwriting departments.	Licensee	Houston International Insurance Group, Ltd. (HIIG)	None
IMS CBP	Policy Administration Software	Licensee	IIC	None

Schedule 14		Software		
IMS Hospitality	Policy Administration Software	Licensee	IIC	None
IMS MPI	Policy Administration Software	Licensee	IIC	None
IMS Pest Control	Policy Administration and Invoicing Software	Licensee	IIC	None
IMS PVI	Policy Administration Software	Licensee	IIC	None
IMS PVI Sentinel	Policy Administration Software	Licensee	IIC	None
IPAS – property, energy, aviation	An in house developed client server application for policy administration and claims administration for various departments.	Owner	HIIG Service Company	None
Kyriba	Treasury Work Station	Licensee	Houston International Insurance Group, Ltd. (HIIG)	None

Schedule 14		Software		
Merge Form Manager	Policy Issuance Software	Owner	HIIG Service Company	None
Netrate	Rating Engine	Licensee	HIIG Service Company	None
Portal for Exterminator Pro	Selectsys Agency portal for Exterminator Pro IMS Platform	Licensee	HIIG Service Company	None
RCT	Risk Control Technology	Licensee	HIIG Service Company	None
Risk Master Business Objects	Business Objects reporting for Riskmaster Accelerator Claims system	Licensee	Houston International Insurance Group, Ltd. (HIIG)	None
Riskmaster Accelerator	HIIG Internal Claims system.	Licensee	Houston International Insurance Group, Ltd. (HIIG)	None
SICSNT Business Objects	Desktop query tool used to run the reports on Old SICSNT database. Not being used anymore. (Retired)	Licensee	Houston International Insurance Group, Ltd. (HIIG) – per it this has been retired	None

Schedule 14		Software		
SICSNT P&C Workstation	Vendor supported client server application that is used to manage Reinsurance.	Licensee	Houston International Insurance Group, Ltd. (HIIG)	None
SOVOS Taxport	Vendor supported system to process year end taxes	Licensee	HIIG Service Company	None
SunGard EAS	Corporate General Ledger and Accounts Payable Software	Licensee	Houston International Insurance Group, Ltd. (HIIG)	None
SunGard iWorks Statutory	Annual and Quarterly statements for the Insurance Companies Software	Licensee	Houston International Insurance Group, Ltd. (HIIG)	None

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Schedule 15	Internet Addresses	
Domain Name	Registered Owner	Domain Registration Provider
BHIAINC.COM	Houston International Insurance Group, Ltd.	GoDaddy
BHUAINC.COM	Houston International Insurance Group, Ltd.	GoDaddy
BHUNDERWRITERS.COM	Houston International Insurance Group, Ltd.	GoDaddy
BUNKERHILLUNDERWRITERS.COM	Houston International Insurance Group, Ltd.	GoDaddy
DELOSINSURANCE.COM	Houston International Insurance Group, Ltd.	GoDaddy
GMICINC.COM	Houston International Insurance Group, Ltd.	GoDaddy
GMINSCO.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIG.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIG.COMPANY	Houston International Insurance Group, Ltd.	GoDaddy
HIIG.INSURE	Houston International Insurance Group, Ltd.	GoDaddy
HIIG.NET	Houston International Insurance Group, Ltd.	GoDaddy
HIIG.US	Houston International Insurance Group, Ltd.	GoDaddy
HIIGAH.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGCONSTRUCTION.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGCREATIVESOLUTIONS.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGCRU.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGCS.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIG-ELITE.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGENERGY.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGEXTERMINATORS.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGHOSPITALITY.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGINSURANCE.COM	Houston International Insurance Group, Ltd.	GoDaddy

Schedule 15		Internet Addresses
HIIGMINING.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGPESTCONTROL.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGPRO.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGPROFESSIONAL.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGSERVICE.COMPANY	Houston International Insurance Group, Ltd.	GoDaddy
HIIGSERVICECOMPANY.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGSURETY.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGUA.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGXTERMINATORPRO.COM	Houston International Insurance Group, Ltd.	GoDaddy
HOUSTONIIG.COM	Houston International Insurance Group, Ltd.	GoDaddy
IMPERIUMINSCO.COM	Houston International Insurance Group, Ltd.	GoDaddy
IMPERIUMINSURANCE.COM	Houston International Insurance Group, Ltd.	GoDaddy
OKLAHOMASPECIALTY.COM	Houston International Insurance Group, Ltd.	GoDaddy
OKSIC.COM	Houston International Insurance Group, Ltd.	GoDaddy
XTERMINATORPRO.COM	Houston International Insurance Group, Ltd.	GoDaddy
BHUINC.COM	Houston International Insurance Group, Ltd.	GoDaddy
CONTROL4UNDERWRITERS.COM	Houston International Insurance Group, Ltd.	GoDaddy
CRUINS.COM	Houston International Insurance Group, Ltd.	Network Solutions
HIIGEXTERMINATORPRO.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGEXTERMINATORPROS.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGLIFE.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGMGUPARTNERS.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGSAFETY.COM	Houston International Insurance Group, Ltd.	GoDaddy

Schedule 15		Internet Addresses
HIIGSPECIALTY.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGUNDERWRITERS.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGUW.COM	Houston International Insurance Group, Ltd.	GoDaddy
HOUSTONSPECIALTY.COM	Houston International Insurance Group, Ltd.	GoDaddy
HOUSTONSPECIALTYINS.COM	Houston International Insurance Group, Ltd.	GoDaddy
HOUSTONSPECIALTYINSCO.COM	Houston International Insurance Group, Ltd.	GoDaddy
SWIP.US	Houston International Insurance Group, Ltd.	Network Solutions

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EXHIBIT B
to Security Agreement

TRADEMARK SECURITY AGREEMENT

This TRADEMARK SECURITY AGREEMENT (this "Agreement"), is made as of [▲], 20[▲], by HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware limited partnership ("Grantor"), in favor of PROSPERITY BANK ("Secured Party").

BACKGROUND.

Pursuant to the Credit Agreement dated as of _____ __, 2019 (such agreement, together with all amendments and restatements thereto, the "Credit Agreement"), between Grantor and Secured Party, Secured Party has extended a commitment to make a Term Loan to Borrower;

In connection with the Credit Agreement, Grantor has executed and delivered the Security Agreement dated as of _____ __, 2019 (such agreement, together with all amendments and restatements thereto, the "Security Agreement");

As a condition precedent to the making of the Term Loan under the Credit Agreement, Grantor is required to execute and deliver this Agreement and to grant to Secured Party a continuing security interest in all of the Trademark Collateral (as defined below) to secure all Indebtedness; and

Grantor has duly authorized the execution, delivery and performance of this Agreement.

AGREEMENT.

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, and in order to induce Secured Party to make the Term Loan pursuant to the Credit Agreement and to extend credit to or for the benefit of Grantor, Grantor agrees, for the benefit of Secured Party as follows:

1. Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided (or incorporated by reference) in the Security Agreement.

"Trademark License" means any agreement, now or hereafter in effect, granting to any third party any right to use any Trademark now or hereafter owned by Grantor or which Grantor otherwise has the right to license, or granting to Grantor any right to use any Trademark now or hereafter owned by any third party, and all rights of Grantor under any such agreement.

"Trademarks" means (a) all trademarks, service marks, trade names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, logos, other source or business identifiers, designs and general intangibles of like nature, all registrations and recordings thereof, and all registration and recording applications filed with any governmental authority in connection therewith, and all extensions or renewals thereof, (b) all goodwill associated therewith or symbolized thereby, (c) all other assets, rights and interests that uniquely reflect or embody such goodwill, and (d) all rights to use and/or sell any of the foregoing.

2. Grant of Security Interest. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, to secure all of the Indebtedness, Grantor does hereby mortgage, pledge and hypothecate to Secured Party, and grant to Secured Party a security interest in all of the following property (the "Trademark Collateral"), whether now owned or hereafter acquired by it:

(a) all Trademarks, including all Trademarks referred to in Item A of Attachment 1 attached hereto;

(b) all applications for Trademarks, including each Trademark application referred to in Item B of Attachment 1 attached hereto; and

(c) all Trademark Licenses, including all Trademark Licenses referred to in Item A of Attachment 1 attached hereto; and

(d) all proceeds and products of the foregoing, including, without limitation, insurance payable by reason of loss or damage to the foregoing.

3. Security Agreement. This Agreement has been executed and delivered by Grantor for the purpose of registering the security interest of Secured Party in the Trademark Collateral with the United States Patent and Trademark Office and corresponding offices in the United States and any state thereof. The security interest granted hereby has been granted as a supplement to, and not in limitation of, the security interest granted to Secured Party under the Security Agreement. The Security Agreement (and all rights and remedies of Secured Party thereunder) shall remain in full force and effect in accordance with its terms.

4. Acknowledgment. Grantor does hereby further acknowledge and affirm that the rights and remedies of Secured Party with respect to the security interest in the Trademark Collateral granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein.

5. Loan Document, etc. This Agreement is a Loan Document executed pursuant to the Credit Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions of the Credit Agreement.

6. Counterparts. This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the day and year first above written.

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HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.

By: _____
Print Name: _____
Print Title: _____

PROSPERITY BANK, a Texas state bank

By: _____

Print Name: _____

Print Title: _____

Item A	Registered Trademarks

Registered Owner	Nature of Grantor's Interest (e.g. owner, licensee)	Registered Trademark	Registration No.	Int'l Class Covered	Goods or Services Covered	Date Registered	Country of Registration
HIIG	Owner	Stylized letters "HII"	4,101,286	36	Insurance Services	2.21.2011	USA
Boston Indemnity Company, Inc.	Owner	Letters "BI" stylized	4,306,435	36	Financial Guarantee and Surety	3.19.2013	USA

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Item B	Trademark Applications

Applicant	Nature of Grantor's Interest (e.g. owner, licensee)	Trademark Application relates to following Trademark	Serial No.	Int'l Class Covered	Goods or Services Covered	Date of Application	Country of Application
None							

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EXHIBIT D

COMPLIANCE CERTIFICATE

COMPLIANCE CERTIFICATE

Financial Statement Date:_____

To: Prosperity Bank

Ladies and Gentlemen:

Reference is made to the Credit Agreement dated as of December 6, 2019 (such agreement, together with all amendments and restatements thereto, the "*Agreement*"; the terms defined therein being used herein as therein defined), among Houston International Insurance Group, Ltd. ("*Borrower*") and Prosperity Bank ("*Lender*").

The undersigned hereby certifies as of the date hereof that [he][she] is the [chief financial officer][treasurer] and an Authorized Signatory of Borrower and that, as such, [he][she] is authorized to execute and deliver this Certificate to Lender on the behalf of Borrower and that:

[Use following for fiscal year-end financial statements required by Section 6.2(a)(i)]

Attached hereto as Exhibit 6.2(a)(i) are annual audited consolidated Financial Statements, showing the consolidated financial condition and results of operations of Borrower and its consolidated Subsidiaries as of, and for the year ended on, such last day, accompanied by an opinion of Auditors containing only qualifications (including qualifications as to the scope of the examination) and emphasis reasonably acceptable to Lender, which opinion states that said consolidated Financial Statements have been prepared in accordance with GAAP consistently applied, and that the examination of Auditors in connection with such consolidated Financial Statements has been made in accordance with generally accepted auditing standards, and that said consolidated Financial Statements present fairly the consolidated financial condition of Borrower and its consolidated Subsidiaries and their results of operations.

Attached hereto as Exhibit 6.2(a)(i)(A) is a certificate of the chief financial officer of Borrower, which certificate states that said Financial Statements present fairly the financial condition of Borrower and its consolidated Subsidiaries and their results of operations.

Attached hereto as Exhibit 6.2(a)(i)(B) a description of all Contingent Debt and Off-Balance Sheet Liabilities of Borrower and Subsidiaries.

[Use following for fiscal year-end financial statements required by Section 6.2(a)(ii)]

Attached hereto as Exhibit 6.2(a)(ii) are annual unaudited consolidated Financial Statements, showing the consolidated and consolidating financial condition and results of operations of Borrower and its consolidated Subsidiaries as at, and for the year ended on, such last day.

Attached hereto as Exhibit 6.2(a)(ii)(A) is a certificate of the chief financial officer of Borrower, which certificate states that said Financial Statements present fairly the financial condition of Borrower and its consolidated Subsidiaries and their results of operations.

Attached hereto as Exhibit 6.2(a)(ii)(B) is a description of all Contingent Debt and Off-Balance Sheet Liabilities of Borrower and Subsidiaries.

[Use following for the fiscal year-end financial statements required by Section 6.2(c)]

Attached as Exhibit 6.2(d) is a copy of the final annual consolidated and consolidating operating budget and projections of Borrower and Subsidiaries for such fiscal year in form and substance satisfactory to Lender.

[Use following for the fiscal quarter-end financial statements required by Section 6.2(b)(i)]

Attached as Exhibit 6.2(b)(i) are unaudited consolidated and consolidating Financial Statements, showing the consolidated financial condition and results of operations of Borrower and its consolidated Subsidiaries as of, and for the quarter ended on, such last day (subject to year-end adjustment), a cash flow analysis, and which shall include (with respect to the financial statements prepared for the first three fiscal quarters of such fiscal year of Borrower) an income statement for the fiscal year through such last day, prepared in accordance with GAAP.

Attached as Exhibit 6.2(b)(i)(A) is a certificate of the chief financial officer of Borrower, which certificate states that said Financial Statements present fairly the financial condition of Borrower and its consolidated Subsidiaries and their results of operations.

Attached as Exhibit 6.2(b)(i)(B) is a description of all Contingent Debt and Off-Balance Sheet Liabilities of Borrower and its Subsidiaries.

[Use following for fiscal quarter-end financial statements required by Section 6.2(b)(iii)]

Attached hereto as Exhibit 6.2(g) is a Litigation Report for such fiscal quarter.

[*select one*:]

[No Default or Event of Default exists.][The following covenants or conditions have not been performed or observed and the following is a list of each such Default or Event of Default and its nature and status:]

The financial covenant analyses and information set forth on the attached Schedule 1 are true and accurate on and as of the date of this Certificate.

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IN WITNESS WHEREOF, the undersigned has executed this Compliance Certificate as of _____, _____

HOUSTON INTERNATIONAL INSURANCE
GROUP, LTD., a Delaware corporation

By: _____
Print Name: _____
Print Title: _____

EXHIBIT E

GUARANTY

GUARANTY AGREEMENT

This GUARANTY AGREEMENT (this "Guaranty") is made as of the 6th day of December, 2019, by Guarantor (as hereinafter defined) for the benefit of Lender (as hereinafter defined).

1. *Definitions*. As used in this Guaranty, the following terms shall have the meanings indicated below:

(a) "Lender" means PROSPERITY BANK, a Texas banking association, whose address for notice purposes is the following:

5851 Legacy Circle, Suite 1200
Plano, Texas 75024
Attn: Todd Coultas

(b) "Borrower" means Houston International Insurance Group, Ltd., a Delaware limited partnership.

(c) "Credit Agreement" means the Credit Agreement dated as of the date hereof, between Borrower and Lender, together with all amendments and restatements thereto.

(d) "Guarantor" means HIIG SERVICE COMPANY, a Delaware corporation, and HIIG UNDERWRITERS AGENCY, INC., a Texas corporation, whose address for notice purposes is the following:

800 Gessner Road, 6th Floor
Houston, Texas 77024
Attn: Legal Department

(e) "Guaranteed Indebtedness" means (i) all obligations now or hereafter existing of Borrower and each other Obligor under the Credit Agreement and each other Loan Document (including, but not limited to, the Obligations), (ii) all accrued but unpaid interest (including all interest that would accrue but for the existence of a proceeding under any Debtor Relief Laws) on any of the indebtedness described in this definition of "Guaranteed Indebtedness," (iii) all costs and expenses incurred by Lender in connection with the collection and administration of all or any part of the indebtedness and obligations described in this definition of "Guaranteed Indebtedness" or the protection or preservation of, or realization upon, the collateral securing all or any part of such indebtedness and obligations, including, without limitation, all Attorney Costs, and (iv) all renewals, extensions, modifications, restructurings and rearrangements of the indebtedness and obligations described in this definition of "Guaranteed Indebtedness."

Capitalized terms not otherwise defined herein have the meaning specified in the Credit Agreement.

2. *Obligations*. As an inducement to Lender to extend or continue to extend credit and other financial accommodations to Borrower, Guarantor, for value received, does hereby unconditionally and absolutely guarantee the prompt and full payment and performance of the Guaranteed Indebtedness when due or declared to be due and at all times thereafter. Notwithstanding anything in this Guaranty to the contrary, the obligations of Guarantor under this Guaranty shall be limited to a maximum aggregate amount equal to the largest amount that would not render Guarantor's obligations hereunder subject to avoidance as a fraudulent transfer or fraudulent conveyance under Section 548 of Title 11 of the United States Code or any applicable provisions of comparable state Law (collectively, the "Fraudulent Transfer Laws"), in each case after giving effect to all other liabilities of Guarantor, contingent or otherwise, that are relevant under the Fraudulent Transfer Laws and after giving effect as assets to the value (as determined under the applicable provisions of the Fraudulent Transfer Laws) of any rights to subrogation, reimbursement or contribution of Guarantor pursuant to (a) applicable Law, or (b) any agreement providing for rights of subrogation, reimbursement or contribution in favor of Guarantor, or for an equitable allocation among Guarantor, Borrower, any other Obligor, and any other Person of obligations arising under guaranties or grants of collateral by such Persons.

3. *Character of Obligations*.

(a) This is an absolute, continuing and unconditional guaranty of payment and not of collection and if at any time or from time to time there is no outstanding Guaranteed Indebtedness, the obligations of Guarantor with respect to any and all Guaranteed Indebtedness incurred thereafter shall not be affected. This Guaranty and the Guarantor's obligations hereunder are irrevocable, except as provided in Section 25. All of the Guaranteed Indebtedness shall be conclusively presumed to have been made or acquired in acceptance hereof. Guarantor shall be liable, jointly and severally, with Borrower and any other guarantor of all or any part of the Guaranteed Indebtedness.

(b) Lender may, at its sole discretion and without impairing its rights hereunder, (i) apply any payments on the Guaranteed Indebtedness that Lender receives from Borrower or any other source other than Guarantor to that portion of the Guaranteed Indebtedness, if any, not guaranteed hereunder, and (ii) apply any proceeds it receives as a result of the foreclosure or other realization on any collateral for the Guaranteed Indebtedness to that portion, if any, of the Guaranteed Indebtedness not guaranteed hereunder or to any other indebtedness or other obligations owing to Lender secured by such collateral.

(c) Guarantor agrees that its obligations hereunder shall not be released, diminished, impaired, reduced or affected by the existence of any other guaranty or the payment by any other guarantor of all or any part of the Guaranteed Indebtedness and Guarantor's obligations hereunder shall continue until Lender has received payment in full of the Guaranteed Indebtedness and all obligations of Lender to extend credit under the Loan Documents are terminated.

(d) Guarantor's obligations hereunder shall not be released, diminished, impaired, reduced or affected by, nor shall any provision contained herein be deemed to be a limitation upon, (i) the amount of credit which Lender may extend to Borrower, (ii) the number of transactions between Lender and Borrower, (iii) payments by Borrower to Lender or (iv) Lender's allocation of payments by Borrower.

(e) Without further authorization from or notice to Guarantor, Lender may (i) compromise, accelerate or otherwise alter the time or manner for the payment of the Guaranteed Indebtedness, (ii) increase or reduce the rate of interest thereon, (iii) release or add any one or more guarantors or endorsers, (iv) consent to departure from any requirement of the Loan Agreement or any other Loan Document, or (v) allow substitution of or withdrawal of collateral or other security and release collateral and other security or subordinate the same.

4. *Representations and Warranties*. Guarantor hereby represents and warrants the following to Lender:

(a) This Guaranty may reasonably be expected to benefit, directly or indirectly, Guarantor, and the requisite number of its directors have determined that this Guaranty may reasonably be expected to benefit, directly or indirectly, Guarantor; and

(b) Guarantor is familiar with, and has independently reviewed the books and records regarding, the financial condition of Borrower and each other Obligor and is familiar with the value of any and all collateral intended to be security for the payment of all or any part of the Guaranteed Indebtedness; provided, however, Guarantor is not relying on such financial condition or collateral as an inducement to enter into this Guaranty; and

(c) Guarantor has adequate means to obtain from Borrower on a continuing basis information concerning the financial condition of Borrower and each other Obligor, and Guarantor is not relying on Lender to provide such information to Guarantor either now or in the future; and

(d) Guarantor has the power and authority to execute, deliver and perform this Guaranty and any other agreements executed by Guarantor contemporaneously herewith, and the execution, delivery and performance of this Guaranty and any other agreements executed by Guarantor contemporaneously herewith do not and will not violate (i) any agreement or instrument to which Guarantor is a party or its property is subject; (ii) any Law or order of any Governmental Authority to which Guarantor or its property is subject; or (iii) its articles of organization, certificate of formation or company agreement or other organization and governance documents; and

(e) Neither Lender nor any other party has made any representation, warranty or statement to Guarantor in order to induce Guarantor to execute this Guaranty; and

(f) The Financial Statements and other financial information regarding Guarantor heretofore and hereafter delivered to Lender are and shall be true and correct in all material respects and fairly present the financial position of Guarantor as of the dates thereof, and no material adverse change has occurred in the financial condition of Guarantor reflected in the Financial Statements and other financial information regarding Guarantor heretofore delivered to Lender since the date of the last statement thereof; and

(g) As of the date hereof, after giving effect to this Guaranty and the obligations evidenced hereby, Guarantor is and will be Solvent; and

(h) Guarantor has not entered into this Guaranty or any of the other Loan Documents to which it is a party or its property is subject with the intent to hinder, delay or defraud any creditor.

5. *Covenants*. Guarantor hereby covenants and agrees with Lender as follows:

(a) Guarantor shall not sell, lease, transfer, encumber, pledge or otherwise dispose of any material portion of Guarantor's assets or any interest therein except in the ordinary course of Guarantor's business and excluding the outstanding pledge of all capital stock of Guarantor to a creditor of the sole shareholder of Guarantor, without Lender's prior written consent or except as permitted in the Loan Documents; and

(b) Guarantor shall furnish to Lender, as soon as available, but in any event within one hundred twenty (120) days after the last day of each fiscal year of Guarantor, the consolidated annual audited Financial Statements of Borrower, which incorporates the financial condition and results of operations of Guarantor as of, and for the year ended on, such last day; and

(c) Guarantor shall furnish to Lender, as soon as available, but in any event within sixty (60) days after the last day of each of the first three fiscal quarters of Guarantor, unaudited consolidated Financial Statements of Borrower, which incorporates the financial condition and results of operations of Guarantor as of, and for the fiscal quarter ended on, such last day; and

(d) Guarantor shall promptly furnish to Lender at any time and from time to time such other Financial Statements and any other information as the Lender may require, in form and substance satisfactory to Lender, so long as such request does not require separate Financial Statements for each Guarantor which are separate from the Borrower's consolidated Financial Statements; and

(e) Guarantor shall comply with all terms and provisions of the Loan Documents that apply to Guarantor or its property; and

(f) Guarantor shall promptly inform Lender of (i) any Litigation or governmental investigation against Guarantor or affecting any security for all or any part of the Guaranteed Indebtedness or this Guaranty which, if determined adversely, might have a material adverse effect upon the financial condition of Guarantor or upon such security or might cause a Default under any of the Loan Documents; (ii) any claim or controversy which might become the subject of such Litigation or governmental investigation; (iii) any of Guarantor's representations no longer being true, accurate and complete in all material respects; and (iv) any material adverse change in the financial condition of Guarantor.

6. *Consent and Waiver*.

(a) Guarantor waives (i) promptness, diligence and notice of acceptance of this Guaranty and notice of the incurring of any obligation, indebtedness or liability to which this Guaranty applies or may apply and waives presentment for payment, notice of nonpayment, protest, demand, notice of protest, notice of intent to accelerate, notice of acceleration, notice of dishonor, diligence in enforcement and indulgences of every kind, and (ii) the taking of any other action by Lender, including, without limitation, giving any notice of Default or any other notice to, or making any demand on, Borrower, Guarantor, any other Obligor or any other guarantor of all or any part of the Guaranteed Indebtedness, or any other Person.

(b) Guarantor waives any rights Guarantor has under, or any requirements imposed by, Chapter 43 of the Texas Civil Practice and Remedies Code and to the extent Guarantor is subject to the Texas Revised Partnership Act ("TRPA") or Section 152.306 of the Texas Business Organizations Code ("BOC"), compliance by Lender with Section 3.05(d) of TRPA and Section 152.306(b) of BOC, as each is in effect on the date of this Guaranty or as it may be amended from time to time.

(c) Lender may at any time, without the consent of or notice to Guarantor, without incurring responsibility to Guarantor and without impairing, releasing, reducing or affecting the obligations of Guarantor hereunder: (i) change the manner, place or terms of payment of all or any part of the Guaranteed Indebtedness, or renew, extend, modify, rearrange or alter all or any part of the Guaranteed Indebtedness; (ii) change the interest rate accruing on any of the Guaranteed Indebtedness (including, without limitation, any periodic change in such interest rate that occurs because such Guaranteed Indebtedness accrues interest at a variable rate which may fluctuate from time to time); (iii) sell, exchange, release, surrender, subordinate, realize upon or otherwise deal with in any manner and in any order any collateral for all or any part of the Guaranteed Indebtedness or this Guaranty or setoff against all or any part of the Guaranteed Indebtedness; (iv) neglect, delay, omit, fail or refuse to take or prosecute any action for the collection of all or any part of the Guaranteed Indebtedness or this Guaranty or to take or prosecute any action in connection with any of the Loan Documents; (v) exercise or refrain from exercising any rights against Borrower, any other Obligor or others, or otherwise act or refrain from acting; (vi) settle or compromise all or any part of the Guaranteed Indebtedness and subordinate the payment of all or any part of the Guaranteed Indebtedness to the payment of any obligations, indebtedness or liabilities which may be due or become due to Lender or others; (vii) apply any deposit balance, fund, payment, collections through process of law or otherwise or other collateral of Borrower or any other Obligor to the satisfaction and liquidation of the indebtedness or obligations of Borrower and each other Obligor to Lender not guaranteed under this Guaranty; and (viii) apply any sums paid to Lender by Guarantor, Borrower, any other Obligor or others to the Guaranteed Indebtedness in such order and manner as Lender, in its sole discretion, may determine.

(d) Should Lender seek to enforce the obligations of Guarantor hereunder by action in any court or otherwise, Guarantor waives any requirement, substantive or procedural, that (i) Lender first enforce any rights or remedies against Borrower, any other Obligor or any other Person liable to Lender for all or any part of the Guaranteed Indebtedness, including, without limitation, that a judgment first be rendered against Borrower, any other Obligor or any other Person, or that Borrower, any other Obligor or any other Person should be joined in such cause, or (ii) Lender first enforce rights against any collateral which shall ever have been given to secure all or any part of the Guaranteed Indebtedness or this Guaranty. Such waiver shall be without prejudice to Lender's right, at its option, to proceed against Borrower, any other Obligor or any other Person, or against any collateral, whether by separate action or by joinder.

(e) **IN ADDITION TO ANY OTHER WAIVERS, AGREEMENTS AND COVENANTS OF GUARANTOR SET FORTH HEREIN, GUARANTOR HEREBY FURTHER WAIVES AND RELEASES (AND SHALL NOT BRING ANY CLAIM RELATED TO) ALL CLAIMS, CAUSES OF ACTION, DEFENSES AND OFFSETS FOR ANY ACT OR OMISSION OF LENDER, ITS DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES OR AGENTS IN CONNECTION WITH LENDER'S ADMINISTRATION OF THE GUARANTEED INDEBTEDNESS, EXCEPT FOR LENDER'S WILLFUL MISCONDUCT AND GROSS NEGLIGENCE.**

(f) Guarantor grants to Lender a contractual security interest in, and hereby grants control of, assigns, conveys, delivers, pledges and transfers to Lender all of Guarantor's right, title and interest in and to Guarantor's accounts with Lender (whether checking, savings or some other account), including, without limitation, all accounts held jointly with another person and all accounts Guarantor may open in the future, excluding all IRA and Keogh accounts and all trust and fiduciary accounts for which the grant of a security interest would be prohibited by Law or contract. Guarantor authorizes Lender, if an Event of Default hereunder or under the Credit Agreement occurs and to the extent not prohibited by applicable Law, to charge or setoff all sums owing on the Guaranteed Indebtedness against any and all such accounts.

(g) To the extent not prohibited by applicable law, Guarantor waives (i) each of Guarantor's rights or defenses, regardless of whether they arise, under (A) Rule 31 of the Texas Rules of Civil Procedure, (B) Section 17.001 of the Texas Civil Practice and Remedies Code, or (C) any other statute or law, common law, in equity, under contract or otherwise, or under any amendments, recodifications, supplements or any successor statute or law of or to any such statute or law, and (ii) any and all rights under Sections 51.003, 51.004 and 51.005 of the Texas Property Code, and under any amendments, recodifications, supplements or any successor statute or law of or to any such statute or law. The parties intend that Guarantor shall not be considered a "debtor" as defined in Section 9.102 of the Texas Business and Commerce Code (and any successor statute thereto), as amended.

7. *Obligations Not Impaired*.

(a) Guarantor agrees that its obligations hereunder shall not be released, diminished, impaired, reduced or affected by the occurrence of any one or more of the following events: (i) the death, disability or lack of corporate, company, partnership or trust power, as appropriate, of Borrower, Guarantor, any other Obligor or any other guarantor of all or any part of the Guaranteed Indebtedness, (ii) any receivership, insolvency, bankruptcy or other proceedings affecting Borrower, Guarantor, any other Obligor or any other guarantor of all or any part of the Guaranteed Indebtedness, or any of their respective property; (iii) the partial or total release or discharge of Borrower, any other Obligor or any other guarantor of all or any part of the Guaranteed Indebtedness, or any other Person from the performance of any obligation contained in any instrument or agreement evidencing, governing or securing all or any part of the Guaranteed Indebtedness, whether occurring by reason of Law or otherwise; (iv) the taking or accepting of any collateral for all or any part of the Guaranteed Indebtedness or this Guaranty; (v) the taking or accepting of any other guaranty for all or any part of the Guaranteed Indebtedness; (vi) any failure by Lender to acquire, perfect or continue any Lien or security interest on collateral securing all or any part of the Guaranteed Indebtedness or this Guaranty; (vii) the impairment of any collateral securing all or any part of the Guaranteed Indebtedness or this Guaranty; (viii) any failure by Lender to sell any collateral securing all or any part of the Guaranteed Indebtedness or this Guaranty in a commercially reasonable manner or as otherwise required by Law; (ix) any invalidity or unenforceability of or defect or deficiency in any of the Loan Documents; or (x) any other circumstance which might otherwise constitute a defense available to, or discharge of, Borrower, Guarantor, any other Obligor or any other guarantor of all or any part of the Guaranteed Indebtedness (other than final payment in full in cash of the Guaranteed Indebtedness; or (xi) the application by Lender of the proceeds from the sale, foreclosure or other realization of or on any collateral for the Guaranteed Indebtedness to any other indebtedness or obligations secured by such collateral.

(b) This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of all or any part of the Guaranteed Indebtedness is rescinded or must otherwise be returned by Lender upon the insolvency, bankruptcy or reorganization of Borrower, Guarantor, any other Obligor, or any other guarantor of all or any part of the Guaranteed Indebtedness, or otherwise, all as though such payment had not been made.

(c) None of the following shall affect Guarantor's liability hereunder: (i) the unenforceability of all or any part of the Guaranteed Indebtedness against Borrower or any other Obligor by reason of the fact that the Guaranteed Indebtedness exceeds the amount permitted by Law; (ii) the act of creating all or any part of the Guaranteed Indebtedness is ultra vires; or (iii) the officers or partners creating all or any part of the Guaranteed Indebtedness acted in excess of their authority.

8. *Actions Against Guarantor*. If an Event of Default exists (including a default in the payment or performance of all or any part of the Guaranteed Indebtedness when such Guaranteed Indebtedness becomes due, whether by its terms, by acceleration or otherwise), Guarantor shall, without notice or demand, promptly pay the amount due thereon to Lender, in lawful money of the United States, at Lender's address set forth in Section 1(a) above. In order to collect payment, one or more successive or concurrent actions may be brought against Guarantor, either in the same action in which Borrower or any other Obligor is sued or in separate actions, as often as Lender deems advisable. The exercise by Lender of any right or remedy under this Guaranty, any other Loan Document or under any other agreement or instrument, at law, in equity or otherwise, shall not preclude concurrent or subsequent exercise of any other right or remedy. The books and records of Lender shall be admissible as evidence in any action or proceeding involving this Guaranty and shall be prima facie evidence of the payments made on, and the outstanding balance of, the Guaranteed Indebtedness.

9. *Payment by Guarantor*. Whenever Guarantor makes any payment to Lender which is or may become due under this Guaranty, written notice must be delivered to Lender contemporaneously with such payment. Such notice shall be effective for purposes of this paragraph when contemporaneously with such payment Lender receives such notice either by: (a) personal delivery to the address and designated department of Lender identified in Section 1(a) above, or (b) United States mail, certified or registered, return receipt requested, postage prepaid, addressed to Lender at the address shown in Section 1(a) above. In the absence of such notice to Lender by Guarantor in compliance with the provisions hereof, any sum received by Lender on account of the Guaranteed Indebtedness shall be conclusively deemed paid by Borrower.

10. *Default.* The failure or refusal of Guarantor punctually and properly to perform, observe and comply with any covenant, agreement or condition contained herein shall immediately constitute an "Event of Default" hereunder and under the Credit Agreement.

11. *Notice of Sale*. In the event that Guarantor is entitled to receive any notice under the Uniform Commercial Code, as it exists in the state governing any such notice, of the sale or other disposition of any collateral securing all or any part of the Guaranteed Indebtedness or this Guaranty, reasonable notice shall be deemed given when such notice is deposited in the United States mail, postage prepaid, at the address for Guarantor set forth in Section 1(d) above, ten (10) days prior to the date any public sale, or after which any private sale, of any such collateral is to be held.

12. *Waiver by Lender*. No delay on the part of Lender in exercising any right hereunder or failure to exercise the same shall operate as a waiver of such right. In no event shall any waiver of the provisions of this Guaranty be effective unless the same be in writing and signed by an officer of Lender, and then only in the specific instance and for the purpose given.

13. *Successors and Assigns*. This Guaranty is for the benefit of Lender, its successors and assigns. This Guaranty is binding upon Guarantor and Guarantor's successors and permitted assigns, including, without limitation, any Person obligated by operation of Law upon the reorganization, merger, consolidation or other change in the organizational structure of Guarantor.

14. *Costs and Expenses*. Guarantor shall pay on demand by Lender all costs and expenses, including, without limitation, all Attorney Costs, incurred by Lender in connection with the preparation, administration, enforcement and/or collection of this Guaranty. This covenant shall survive the payment of the Guaranteed Indebtedness.

15. *Severability*. If any provision of this Guaranty is held by a court of competent jurisdiction to be illegal, invalid or unenforceable under present or future Laws, such provision shall be fully severable, shall not impair or invalidate the remainder of this Guaranty and the effect thereof shall be confined to the provision held to be illegal, invalid or unenforceable.

16. *No Obligation*. Nothing contained herein shall be construed as an obligation on the part of Lender to extend or continue to extend credit to Borrower.

17. *Amendment*. No modification or amendment of any provision of this Guaranty, nor consent to any departure by Guarantor therefrom, shall be effective unless the same shall be in writing and signed by an officer of Lender, and then shall be effective only in the specific instance and for the purpose for which given.

18. *Cumulative Rights*. All rights and remedies of Lender hereunder are cumulative of each other and of every other right or remedy which Lender may otherwise have at law or in equity or under any instrument or agreement, and the exercise of one or more of such rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of any other rights or remedies. This Guaranty, whether general, specific and/or limited, shall be in addition to and cumulative of, and not in substitution, novation or discharge of, any and all prior or contemporaneous guaranty agreements by Guarantor in favor of Lender or assigned to Lender by others.

19. *Governing Law, Venue*. This Guaranty is intended to be performed in the State of Texas. Except to the extent that the Laws of the United States may apply to the terms hereof, the substantive Laws of the State of Texas shall govern the validity, construction, enforcement and interpretation of this Guaranty. In the event of a dispute involving this Guaranty, any other Loan Document or any other instruments executed in connection herewith, the undersigned irrevocably agrees that venue for such dispute shall lie in any court of competent jurisdiction in Collin County, Texas.

20. *Compliance with Applicable Usury Laws*. Notwithstanding any other provision of this Guaranty, any other Loan Document or of any instrument or agreement evidencing, governing or securing all or any part of the Guaranteed Indebtedness, Guarantor and Lender by its acceptance hereof agree that Guarantor shall never be required or obligated to pay interest in excess of the maximum non-usurious interest rate as may be authorized by applicable Law for the written contracts which constitute the Guaranteed Indebtedness. It is the intention of Guarantor and Lender to conform strictly to the applicable Laws which limit interest rates, and any of the aforesaid contracts for interest, if and to the extent payable by Guarantor, shall be held to be subject to reduction to the maximum non-usurious interest rate allowed under said Law.

21. *Gender*. Within this Guaranty, words of any gender shall be held and construed to include the other gender.

22. *Captions*. The headings in this Guaranty are for convenience only and shall not define or limit the provisions hereof.

23. *No Subrogation*. Notwithstanding any payment or payments by Guarantor hereunder or any set-off or application of funds of Guarantor by Lender, Guarantor shall not be entitled to be subrogated to any of the rights of Lender against Borrower, any other Obligor or any other Person or any guarantee or right of offset held by Lender of the payment of the Guaranteed Indebtedness, nor shall Guarantor seek or be entitled to any reimbursement or contribution from Borrower, any other Obligor, or any other Person in respect of payments made by Guarantor hereunder, until all amounts owing to Lender by Borrower on account of the Guaranteed Indebtedness are indefeasibly paid in full in cash and all obligations of Lender to extend credit under the Loan Documents are terminated. If any amount shall be paid to Guarantor on account of the subrogation rights at any time when all of the Guaranteed Indebtedness has not been indefeasibly paid in full in cash, such amount shall be held by Guarantor in trust for Lender, segregated from other funds of Guarantor, and shall, immediately upon receipt by Guarantor, be turned over to Lender in the exact form received by Guarantor (duly endorsed by Guarantor to Lender, if required), to be applied against the Guaranteed Indebtedness, whether matured or unmatured, in such order as Lender may determine.

24. *Electronic Signatures and Electronic Records*. Each party to this Agreement consents to the use of electronic and/or digital signatures by one or both parties. This Agreement, and any other documents requiring a signature hereunder, may be signed electronically or digitally in a manner specified solely by Prosperity Bank. The parties agree not to deny the legal effect or enforceability of this Agreement solely because (i) the Agreement is entirely in electronic or digital form, including any use of electronically or digitally generated signatures, or (ii) an electronic or digital record was used in the formation of this Agreement or the Agreement was subsequently converted to an electronic or digital record by one or both parties. The parties agree not to object to the admissibility of this Agreement in the form of an electronic or digital record, or a paper copy of an electronic or digital document, or a paper copy of a document bearing an electronic or digital signature, on the grounds that the record or signature is not in its original form or is not the original of the Agreement or the Agreement does not comply with Chapter 26 of the Texas Business and Commerce Code.

25. *Right of Revocation*. Guarantor understands and agrees that Guarantor may revoke its future obligations under this Guaranty at any time by giving Lender written notice that Guarantor will not be liable hereunder for any indebtedness or obligations of Borrower incurred on or after the effective date of such revocation. Such revocation shall be deemed to be effective on the day following the day Lender receives such notice delivered either by: (a) personal delivery to the address and designated department of Lender identified in Section 1(a) above, or (b) United States mail, registered or certified, return receipt requested, postage prepaid, addressed to Lender at the address shown in Section 1(a) above. Notwithstanding such revocation, Guarantor shall remain liable on its obligations hereunder until payment in full to Lender of (a) all of the Guaranteed Indebtedness that is outstanding on the effective date of such revocation, and any renewals and extensions thereof, and (b) all loans, advances and other extensions of credit made to or for the account of Borrower on or after the effective date of such revocation pursuant to the obligation of Lender under a commitment or agreement (including the Loan Documents) made to or with Borrower prior to the effective date of such revocation. The terms and conditions of this Guaranty, including without limitation the consents and waivers set forth in Section 6 hereof, shall remain in effect with respect to the Guaranteed Indebtedness described in the preceding sentence in the same manner as if such revocation had not been made by Guarantor.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.

EXECUTED as of the date first above written.

GUARANTOR:

HIIG SERVICE COMPANY, a Delaware corporation

By: /s/ Mark W. Haushill
Print Name: Mark W. Haushill
Print Title: Executive Vice President

HIIG UNDERWRITERS AGENCY, INC., a Texas corporation

By: /s/ Mark W. Haushill
Print Name: Mark W. Haushill
Print Title: Executive Vice President

[Signature Page to Guaranty Agreement]

EXHIBIT F

ARBITRATION AND NOTICE OF FINAL AGREEMENT

EXHIBIT G

REVOLVING LOAN NOTE

EXHIBIT H

REVOLVING LOAN NOTICE

Date _____

Prosperity Bank
Attn: Carey Womble
5851 Legacy Circle
Suite 1200
Plano, Texas 75024

Re: Credit Agreement (the "Agreement"), dated December 6, 2019 among Houston International Insurance Group, Ltd., as Borrower, and Prosperity Bank, as Lender.

1. Pursuant to Section 2.2(b) of the Agreement, the undersigned hereby requests a Revolving Borrowing from Lender in an aggregate amount of $_____ ($50,000 increments)

2. The requested Borrowing Date is: _____

3. The outstanding Revolving Borrowings under the Agreement after giving effect to this request will equal $_____

4. The proceeds of the requested Revolving Borrowing are requested to be remitted to the following account of the Borrower:

Bank: Prosperity Bank
Routing No.:_____
Account No.:_____
Account Name: Houston International Insurance Group, Ltd.

Please contact _____at (___) ___-____ or _____ with any questions or instructions.

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.

By: _____
Name: _____
Its: _____

Credit Agreement

Index of Schedules

5.1(m)	Insurance
5.1 (n)	Existing Debt
5.1 (o)	Existing Litigation
5.1 (p)	Investment Portfolio and Policy
5.1 (q)	Governmental Approvals
Schedule 8.3	Borrower and Subsidiary Entity Information
Schedule 8.4	Off-Balance Sheet Liabilities
Schedule 8.6	Existing Litigation
Schedule 8.7	Existing Debt
Schedule 8.8	Existing Investments
Schedule 8.13	Licensed Jurisdiction
Schedule 8.15	ERISA Plans
Schedule 10.2	Notice Addresses

Schedule 5.1(m)

Insurance

ACORD

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 11/01/2019

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER: Holmes Murphy & Associates 12712 Park Central Dr., Suite 100 Dallas, TX 75251	1-214-363-4433	CONTACT NAME: Juanita Velasquez PHONE (A/C, No, Ext): 214-265-6628 FAX (A/C, No): E-MAIL ADDRESS: jvelasquez@holmesmurphy.com	
		INSURER(S) AFFORDING COVERAGE	NAIC #
		INSURER A: GREAT NORTHERN INS CO	20303
INSURED: HIIG Service Company 800 Gessner Road #600 Houston , TX 77024		INSURER B: FEDERAL INS CO	20281
		INSURER C: CHUBB IND INS CO	12777
		INSURER D:	
		INSURER E:	
		INSURER F:	

COVERAGES **CERTIFICATE NUMBER:** 57738982 **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	X COMMERCIAL GENERAL LIABILITY CLAIMS-MADE X OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: POLICY PRO-JECT X LOC OTHER:			35921682	04/01/19	04/01/20	EACH OCCURRENCE	$ 1,000,000
							DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 1,000,000
							MED EXP (Any one person)	$ 5,000
							PERSONAL & ADV INJURY	$ 1,000,000
							GENERAL AGGREGATE	$ 2,000,000
							PRODUCTS - COMP/OP AGG	$ 2,000,000
								$
A	AUTOMOBILE LIABILITY X ANY AUTO OWNED AUTOS ONLY HIRED AUTOS ONLY SCHEDULED AUTOS NON-OWNED AUTOS ONLY			73565797	04/01/19	04/01/20	COMBINED SINGLE LIMIT (Ea accident)	$ 1,000,000
							BODILY INJURY (Per person)	$
							BODILY INJURY (Per accident)	$
							PROPERTY DAMAGE (Per accident)	$
								$
B	UMBRELLA LIAB X OCCUR EXCESS LIAB CLAIMS-MADE DED RETENTION $			79867785	04/01/19	04/01/20	EACH OCCURRENCE	$ 10,000,000
							AGGREGATE	$ 10,000,000
								$
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? Y/N (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N/A		71750639	04/01/19	04/01/20	PER STATUTE OTH-ER	
							E.L. EACH ACCIDENT	$ 1,000,000
							E.L. DISEASE - EA EMPLOYEE	$ 1,000,000
							E.L. DISEASE - POLICY LIMIT	$ 1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

CERTIFICATE HOLDER	CANCELLATION
	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE

ACORD 25 (2016/03) The ACORD name and logo are registered marks of ACORD

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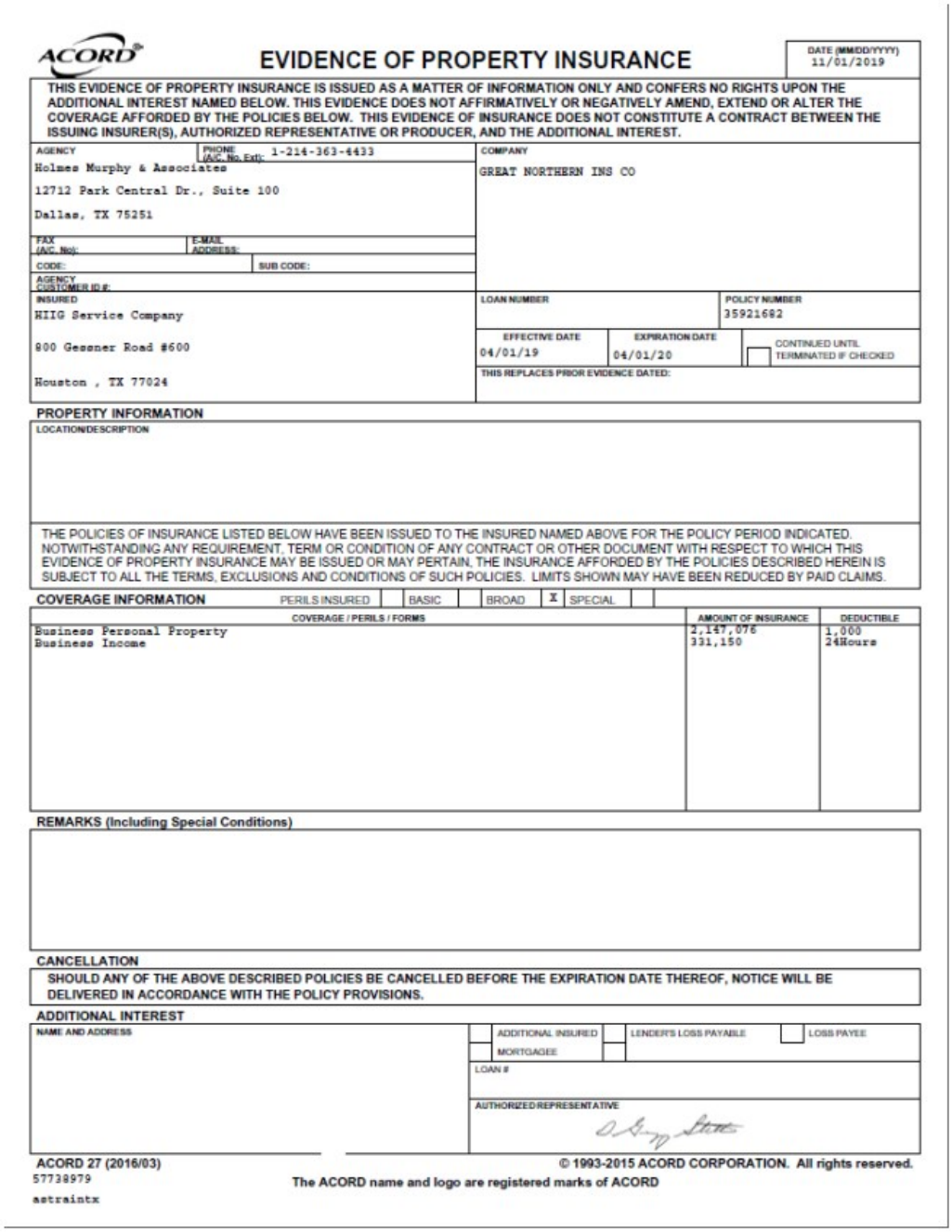
57738982



ACORD

EVIDENCE OF PROPERTY INSURANCE

DATE (MM/DD/YYYY): 11/01/2019

THIS EVIDENCE OF PROPERTY INSURANCE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE ADDITIONAL INTEREST NAMED BELOW. THIS EVIDENCE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS EVIDENCE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE ADDITIONAL INTEREST.

AGENCY: Holmes Murphy & Associates
12712 Park Central Dr., Suite 100
Dallas, TX 75251
PHONE (A/C, No, Ext): 1-214-363-4433
FAX (A/C, No):
E-MAIL ADDRESS:
CODE:
SUB CODE:
AGENCY CUSTOMER ID #:

COMPANY: GREAT NORTHERN INS CO

INSURED: HIIG Service Company
800 Gessner Road #600
Houston , TX 77024

LOAN NUMBER:
POLICY NUMBER: 35921682
EFFECTIVE DATE: 04/01/19
EXPIRATION DATE: 04/01/20
CONTINUED UNTIL TERMINATED IF CHECKED
THIS REPLACES PRIOR EVIDENCE DATED:

PROPERTY INFORMATION

LOCATION/DESCRIPTION

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS EVIDENCE OF PROPERTY INSURANCE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

COVERAGE INFORMATION PERILS INSURED: BASIC [ ] BROAD [ ] SPECIAL [X]

COVERAGE / PERILS / FORMS	AMOUNT OF INSURANCE	DEDUCTIBLE
Business Personal Property	2,147,076	1,000
Business Income	331,150	24Hours

REMARKS (Including Special Conditions)

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

ADDITIONAL INTEREST

NAME AND ADDRESS:
[ ] ADDITIONAL INSURED [ ] LENDER'S LOSS PAYABLE [ ] LOSS PAYEE
[ ] MORTGAGEE
LOAN #:
AUTHORIZED REPRESENTATIVE:

ACORD 27 (2016/03)
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Schedule 5.1(n)

Existing Debt

Debt	Amount	Lender
Trust Preferred	59,794,000	Willmington Trust
Term Loan	25,000,000	Frost Bank
Term Loan	15,000,000	Zions Bank
Revolving Line of Credit	25,000,000	Frost Bank
Revolving Line of Credit	25,000,000	Zions Bank
Subordinated Debt	8,000,000	EJF Portfolio Vehicle I LLC
Subordinated Debt	8,000,000	Embassy & Co
Subordinated Debt	4,000,000	Blackstone Diversified Multi-Strategy Fund
Earnout	1,000,000	Riscom Insurance Services
Earnout	1,076,000	Capital Risk Underwriters
Earnout	1,108,000	Creative Risk Underwriters
Total	172,978,000	

Credit Agreement (HIIG)

Schedule 5.1(o)

Existing Litigation

(Schedule provided in accordance with the definition, not the reporting requirements of 8.6)

To come.

Schedule 5.1 (p)

Investment Portfolio and Policy

To come

Schedule 5.1 (q)

Governmental Approvals and Notices

None.

Schedule 8.3

Borrower and Subsidiary Entity Information

Entity	State of Incorporation	Organizational Identification Number	Authorized Capital Stock	Issued and Outstanding Capital Stock
Houston International Insurance Group	Delaware	4088293 NAIC #: 00297	68,000,000 authorized shares of common stock: 2,000,000 shares of preferred stock	66,192,625 shares of voting common stock
HIIG Service Company	Delaware	5166940	3,000 authorized shares of common stock	1,000 shares (100% ownership) of the common stock owned by Borrower
HIIG Underwriters Agency, Inc.	Texas	77503900	1,000 authorized shares of common stock; 9,000 authorized shares of preferred stock	1,000 shares (100% ownership) of the common stock owned by Borrower
Houston Specialty Insurance Company	Domiciled in Texas	TDI#: 13814027 NAIC #: 12936	5,000,000 authorized shares of common stock	3,000,000 shares (100% ownership) of the common stock owned by Borrower
Oklahoma Specialty Insurance Company	Oklahoma	312338534	1,000,000 authorized shares of common stock	1,000,000 shares (100% ownership) of the common stock owned by Boston Indemnity Company, Inc.
Imperium Insurance Company	Domiciled in Texas	TDI#: 93584 NAIC#: 35408	5,000,000 authorized shares of common stock	4,200,000 shares (100% ownership) of the common stock owned by Houston Specialty Insurance Company
Great Midwest Insurance Company	Domiciled in Texas	TDI#: 5785 NAIC #: 18694	6,000,000 authorized shares of common stock	4,450,000 shares (100% ownership) of the common stock owned by Imperium Insurance Company
Boston Indemnity Company, Inc.	South Dakota	46-0310317	15,000 authorized shares of common stock	12,500 shares of (100% ownership) the common stock owned by Great Midwest Insurance Company

HIIG Stockholders

Shareholder	Number of Shares
Westaim HIIG Limited Partnership	47,012,125
Stephen L. Way	3,674,016
Argo Re, Ltd	2,324,225
Freedom Markets, LP	1,265,024
VLJ Trust [2]	1,036,716
International General Insurance Co., Ltd.	995,043
Crane Private Equity, Ltd.	937,637
Marquis Lafayette, LLC.	859,500
Juniper Trust[2]	744,156
Barry J. Cook	666,764
Eastwood Trust	643,975
TIG Insurance Company	595,325
Mark Haushill[1]	588,328
Nida T. Godfrey	407,041
Peter B. Smith[1]	402,082
L. Byron Way[1, 2, 3]	355,421
Rhonda N. Kemp[1,2]	299,032
Detlef Steiner	248,620
Suretec Insurance Company	240,256
Philip Schuyler, LLC.	234,409
Westcliff Trust	206,072
The Servat Group LLC. [1]	197,945
Robin Roberts[1]	196,327
Deborah StiffleBean, Michael R. Wilson and Christopher S. Wilson[2]	184,976
Sharyn Way Gebot[2]	170,092
Steven R. Brooks[2]	170,092
Renee J. Montgomery	129,106
Richard W. Hitch	114,186
James H. Godfrey, Jr. [1]	109,496
Susan Swails	92,710
Douglas C. Davies	87,596

Shareholder	Number of Shares
Edward H. Ellis	82,307
Charles Lamberta	62,032
David Burgess[1]	58,832
Arthur Seifert	57,406
John Garner[3]	57,406
Lynn A. Cordes[1]	54,748
Leslie K. Shaunty	53,314
Cynthia L. Casale	49,384
Janet P. Yienger	43,798
Patsy Holbert Andrews	41,294
Joel Vaag	40,298
K. Sterling LLC	38,110
Cooper Wallach	37,503
Kirby A. Hill[1]	32,923
Peregrine Towneley	28,703
Mark Rattner	25,351
Robert E. Creager	24,692
Chase M. Clark[1]	21,900
Michael Baker[1]	20,150
Dan Bodnar[1]	18,170
Daniel Barrett	17,221
Paul DeRidder	17,221
Yan Ping Zhang	16,084
Michael Abdulahad	14,536
Rico Enerio[1]	13,169
Timothy D. Spacek[1]	12,062
Donna Green	11,082
Christopher A. Nichols[1]	10,950
Brian Featherstone[1]	9,834
John Greco[1]	9,806
Mike Leamanczyk	7,374
Donald K. Wilson[1]	4,380
Shawn A. Stinson	4,380

Credit Agreement (HIIG)

Shareholder	Number of Shares
William A. Carleton[1]	4,196
Craig Willey	3,716
Total Shares	66,192,625

1. Indicates shares pledged to secure obligations of stockholder under outstanding note for shares purchased pursuant to the Employee Stock Purchase Program (unvested shares are pledged against notes).
2. Indicates shares pledged to secure obligations of stockholder under the 2010 Stock Purchase Agreement between the former Class A Holders and former Class B Holders (as defined in the agreement) of Southwest Insurance Partners, Inc. ("SWIP") (as extended by new notes executed effective as of December 20, 2013).
3. Indicates shares pledged to secure obligations of stockholder under HIIG loan.

All shares listed on this Schedule are subject to the restrictions of transfer under that certain HIIG Amended and Restated Shareholders' Agreement, dated as of March 12, 2014.

Credit Agreement (HIIG)

Schedule 8.4

Off-Balance Sheet Liabilities

To come

Schedule 8.6

Existing Litigation

To come.

Schedule 8.7

Existing Debt

Debt	Amount	Lender
Trust Preferred	59,794,000	Willmington Trust
Term Loan	25,000,000	Frost Bank
Term Loan	15,000,000	Zions Bank
Revolving Line of Credit	25,000,000	Frost Bank
Revolving Line of Credit	25,000,000	Zions Bank
Subordinated Debt	8,000,000	EJF Portfolio Vehicle I LLC
Subordinated Debt	8,000,000	Embassy & Co
		Blackstone Diversified Multi-Strategy
Subordinated Debt	4,000,000	Fund
Earnout	1,000,000	Riscom Insurance Services
Earnout	1,076,000	Capital Risk Underwriters
Earnout	1,108,000	Creative Risk Underwriters
Total	172,978,000	

Schedule 8.8

Existing Investments

To come

Schedule 8.13

Licensed Jurisdiction

Great Midwest Insurance Company	Admitted all 50 states & DC
Imperium Insurance Company	Admitted all 50 states & DC
Houston Specialty Insurance Company	Non admitted surplus lines all 50 states - domiciled surplus lines in Texas
HIIG Underwriters Agency	Producer License in all 50 states/MGA License in TX

Boston Indemnity Company

AL
AK
AZ
AR
CT
DC
DE
FL
GA
HI
ID
IN
IA
KS
KY
LA
ME
MD
MA
MI
MN
MS
MO
MT
NE
NV
NH
NM
NC
ND
OK
PA
RI
SC
SD
TN
TX
UT
VT
VA
WA
WV
WI
WY

Oklahoma Specialty Insurance Company

(Non admitted surplus lines)

AL
AK
AR
CO
CT
DE
GA
HI
ID
IL
IN
IA
KS
KY
LA
ME
MD
MA
MI
MS
MO
MT
NE
NV
NH
NJ
NC
ND
OH
OK
OR
PA
RI
SC
SD
TN
TX
UT
VT
VA
WA
WV
WI
WY

HIIG Underwriters Agency

(Surplus Lines License)

AK
AR
AZ
CA
CT
CO
HI
IN
LA
MA
MD
MI
ND
NE
NJ
NM
NV
NY
OH
OK
OR
PA
TX
UT
WA
WY

Houston Specialty Insurance Company
(As an Accredited Reinsurer)

AK
AL
AR
AZ
CA
DE
FL
GA
ID
IN
MS
MT
NC
NE
NH
NJ
NM
NY
OH
OK
OR
PA
RI
SC
SD
VT
VA
WV
WI
WY

Schedule 8.15

ERISA Plans

Houston International Insurance Group and Subsidiaries

1. Health Insurance (Blue Cross Blue Shield of Texas; self-insured with stop-loss)
2. Health Spending Account (Discovery Benefits)
3. Dental Insurance (Blue Cross Blue Shield of Texas)
4. Vision Insurance (VSP Ventures)
5. Long-Term Disability (Unum)
6. Short Term Disability (Unum)
7. Life Insurance & Accidental Death and Dismemberment (Unum)
8. Supplemental Life Insurance & Accidental Death and Dismemberment (Unum)
9. 401(k) (Merrill Lynch)
10. Section 125 Plan
11. Wrap Document

Schedule 10.2

Notice Addresses

Houston International Insurance Group
800 Gessner Road, Suite 600
Houston, TX 77024
Attention: Chief Financial Officer

With a copy to:
Same address as above
Attention: Legal Department

PROMISSORY NOTE
(Term Loan Note)

$50,000,000.00 December 11, 2019

For value received, **HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.**, a Delaware corporation, as principal ("Borrower"), promises to pay to the order of **PROSPERITY BANK**, a Texas banking association ("Lender"), at 5851 Legacy Circle, Suite 1200, Plano, Texas 75024, or at such other address as Lender shall from time to time specify in writing, the principal sum of FIFTY MILLION AND 00/100 DOLLARS ($50,000,000.00), in legal and lawful money of the United States of America, with interest on the outstanding principal from the date advanced until paid at the rate set out below. Interest shall be computed on a per annum basis of a year of 360 days and for the actual number of days elapsed, unless such calculation would result in a rate greater than the highest rate permitted by Applicable Law, in which case interest shall be computed on a per annum basis of a year of 365 days or 366 days in a leap year, as the case may be. Capitalized terms not otherwise defined in this Note have the meaning specified in the Credit Agreement dated as of December 11, 2019, between Borrower and Lender (such agreement, together with all amendments and restatements thereto, the "Credit Agreement").

1. *Payment Terms*.

(a) Principal. Principal hereunder shall be due and payable in full on the Term Loan Maturity Date along with all accrued but unpaid interest thereon.

(b) Interest. Accrued, unpaid interest shall be due and payable on each Interest Payment Date; interest being calculated on the unpaid principal each day principal is outstanding.

(c) Order of Application. All payments of interest and principal made shall be credited to any collection costs and late charges, to the discharge of the interest accrued and to the reduction of the principal, in such order as provided in the Credit Agreement.

(d) Additional Payments. Principal and interest may also be due on other dates as provided in the Credit Agreement.

2. *Late Charge*. If a payment is made more than 10 days after it is due, Borrower will be charged (subject to Paragraph 8), in addition to interest, a delinquency charge of (a) 5% of the unpaid portion of the regularly scheduled payment, or (b) $250.00, whichever is less. Additionally, upon maturity of this Note, if the outstanding principal balance (plus all accrued but unpaid interest) is not paid within 10 days of the maturity date, Borrower will be charged (subject to Paragraph 8) a delinquency charge of (a) 5% of the sum of the outstanding principal balance (plus all accrued but unpaid interest), or (b) $250.00, whichever is less. Borrower agrees with Lender that the charges set forth herein are reasonable compensation to Lender for the handling of such late payments.

3. *Interest Rate*.

(a) Subject to and in accordance with the terms of the Credit Agreement and Paragraphs 3(b) and 4 of this Note, the Term Loan Note shall bear interest on the outstanding principal amount thereof for the applicable Interest Period at a rate per annum equal to the lesser of (A) the Highest Lawful Rate and (B) the Eurodollar Basis *plus* the Applicable Margin.

(b) Subject to the provisions of Section 2.9 of the Credit Agreement and Paragraph 4, if at any time Lender has notified Borrower that the provisions of Sections 4.2 or 4.3 of the Credit Agreement apply, (i) all of the Term Loan shall become a Prime Rate Loan effective on the date on which Lender determines that the provisions of Section 4.2 of the Credit Agreement apply, and (ii) all of the Term Loan shall become a Prime Rate Loan on the last day of the current Interest Period applicable to the Term Loan if Lender determines that the provisions of Section 4.3 of the Credit Agreement apply and Borrower may not elect that the Term Loan be a Eurodollar Rate Loan until Lender notifies Borrower that the provisions of Sections 4.2 and 4.3 of the Credit Agreement no longer apply.

4. *Default Rate*. If an Event of Default exists, subject to Section 2.9 of the Credit Agreement, and in addition to all other rights and remedies of Lender hereunder, interest shall accrue at a per annum rate, equal to the lesser of (a) the Default Rate, and (b) the Highest Lawful Rate, and such accrued interest shall be immediately due and payable. Borrower acknowledges that it would be extremely difficult or impracticable to determine Lender's actual damages resulting from any Event of Default, and such accrued interest is a reasonable estimate of those damages and does not constitute a penalty.

5. *Prepayment*. Borrower reserves the right to prepay, prior to maturity, all or any part of the principal of this Note without premium or penalty. Each prepayment shall be accompanied by all accrued interest thereon, together with any additional amounts required pursuant to Article IV of the Credit Agreement. Any prepayments shall be applied as provided in the Credit Agreement. Borrower will provide written notice to the holder of this Note of any such prepayment of all or any part of the principal as provided in the Credit Agreement. All payments and prepayments of principal or interest on this Note shall be made in lawful money of the United States of America in immediately available funds, at Lender's Principal Office, or such other place as Lender shall designate in writing to Borrower.

6. *Default*. It is expressly provided that if an Event of Default (other than an Event of Default described in Sections 9.1(d) or (e) of the Credit Agreement) exists, the holder of this Note may, at its option, without further notice or demand, (a) declare the outstanding principal balance of and accrued but unpaid interest on this Note at once due and payable, (b) refuse to advance any additional amounts under this Note, (c) foreclose all Liens securing payment hereof, (d) pursue any and all other rights, remedies and recourses available to the holder hereof, including but not limited to any such rights, remedies or recourses under the Loan Documents, at law or in equity, or (e) pursue any combination of the foregoing; and in the event default is made in the prompt payment of this Note when due or declared due, and the same is placed in the hands of an attorney for collection, or suit is brought on same, or the same is collected through probate, bankruptcy or other judicial proceedings, then Borrower agrees and promises to pay all costs of collection, including Attorney Costs. It is expressly provided that upon the occurrence of an Event of Default specified in Section 9.1(d) or (e) of the Credit Agreement, and in addition to all other rights and remedies of Lender, the principal of and interest on the Term Loan and the Obligations and other amounts owed under the Loan Documents shall thereupon and concurrently therewith become due and payable, all without any action by Lender, or any holder hereof and without presentment, demand, protest or other notice of any kind, all of which are expressly waived, anything in the Loan Documents to the contrary notwithstanding.

7. *Joint and Several Liability; Waiver*. Each maker, signer, surety and endorser hereof, as well as all heirs, successors and legal representatives of said parties, shall be directly and primarily, jointly and severally, liable for the payment of all indebtedness hereunder. Lender may release or modify the obligations of any of the foregoing persons or entities, or guarantors hereof, in connection with this Note without affecting the obligations of the others. All such persons or entities expressly waive presentment and demand for payment, notice of default, notice of intent to accelerate maturity, notice of acceleration of maturity, protest, notice of protest, notice of dishonor, and all other notices and demands for which waiver is not prohibited by Law, and diligence in the collection hereof; and agree to all renewals, extensions, indulgences, partial payments, releases or exchanges of collateral, or taking of additional collateral, with or without notice, before or after maturity. No delay or omission of Lender in exercising any right hereunder shall be a waiver of such right or any other right under this Note.

8. *No Usury Intended; Usury Savings Clause*. In no event shall interest contracted for, charged or received hereunder, plus any other charges in connection herewith which constitute interest, exceed the maximum interest permitted by Applicable Law. The amounts of such interest or other charges previously paid to the holder of the Note in excess of the amounts permitted by Applicable Law shall be applied by the holder of the Note to reduce the principal of the indebtedness evidenced by the Note, or, at the option of the holder of the Note, be refunded. To the extent permitted by Applicable Law, determination of the legal maximum amount of interest shall at all times be made by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of the loan and indebtedness, all interest at any time contracted for, charged or received from the Borrower hereof in connection with the loan and indebtedness evidenced hereby, so that the actual rate of interest on account of such indebtedness is uniform throughout the term hereof.

9. *Security*. This Note has been executed and delivered pursuant to the Credit Agreement, and is secured by, inter alia, certain of the Loan Documents. The holder of this Note is entitled to the benefits and security provided in and subject to the terms of the Loan Documents.

10. *Texas Finance Code*. To the extent that Chapter 303 of the Texas Finance Code is applicable to this Note, the "weekly ceiling" specified in such article is the applicable ceiling; provided that, if any Applicable Law permits greater interest, the Law permitting the greatest interest shall apply.

11. *Governing Law, Venue*. This Note is being executed and delivered, and is intended to be performed in the State of Texas. Except to the extent that the Laws of the United States may apply to the terms hereof, the substantive Laws of the State of Texas shall govern the validity, construction, enforcement and interpretation of this Note. In the event of a dispute involving this Note or any other instruments executed in connection herewith, the undersigned irrevocably agrees that venue for such dispute shall lie in any court of competent jurisdiction in Collin County, Texas.

12. *Purpose of Loan*. Borrower agrees that advances under this Note shall be used solely for the purposes stated in the Credit Agreement.

13. *Captions*. The captions in this Note are inserted for convenience only and are not to be used to limit the terms herein.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.

BORROWER:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation

By: /s/ Mark W. Haushill
Print Name: Mark W. Haushill
Print Title: Executive Vice President & CFO

REVOLVING PROMISSORY NOTE

$50,000,000.00 December 11, 2019

For value received, **HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.**, a Delaware corporation ("Borrower"), does hereby promise to pay to the order of **PROSPERITY BANK**, a Texas banking association ("Lender"), at 5851 Legacy Circle, Suite 1200, Plano, Texas 75024, or at such other address as Lender shall from time to time specify in writing, in lawful money of the United States of America, the sum of FIFTY MILLION AND NO/100 DOLLARS ($50,000,000.00), or so much thereof as from time to time may be disbursed by Lender to Borrower under the terms of the Credit Agreement dated of even date herewith between Borrower and Lender (such agreement, together with all amendments and restatements thereto, the "Credit Agreement", capitalized terms not otherwise defined herein have the meaning specified in the Credit Agreement), and be outstanding, together with interest from date hereof on the principal balance outstanding from time to time as hereinafter provided. Interest shall be computed on a per annum basis of a year of 360 days and for the actual number of days elapsed, unless such calculation would result in a rate greater than the highest rate permitted by Applicable Law, in which case interest shall be computed on a per annum basis of a year of 365 days or 366 days in a leap year, as the case may be.

1. *Payment Terms*. Interest only on amounts outstanding hereunder shall be due and payable on each Interest Payment Date until the Revolving Loan Maturity Date, when the entire amount hereof, principal and accrued interest then remaining unpaid, shall be then due and payable; interest being calculated on the unpaid principal each day principal is outstanding and all payments made credited to any collection costs and late charges, to the discharge of the interest accrued and to the reduction of the principal, in such order as provided in the Credit Agreement.

2. *Late Charge.* If a payment is made more than 10 days after it is due, Borrower will be charged (subject to Paragraph 8), in addition to interest, a delinquency charge of (a) 5% of the unpaid portion of the regularly scheduled payment, or (b) $250.00, whichever is less. Additionally, upon maturity of this Note, if the outstanding principal balance (plus all accrued but unpaid interest) is not paid within 10 days of the maturity date, Borrower will be charged (subject to Paragraph 8) a delinquency charge of (a) 5% of the sum of the outstanding principal balance (plus all accrued but unpaid interest), or (b) $250.00, whichever is less. Borrower agrees with Lender that the charges set forth herein are reasonable compensation to Lender for the handling of such late payments.

3. *Interest Rate*.

(a) Subject to and in accordance with the terms of the Credit Agreement and Paragraphs 3(b) and 4 of this Note, the Revolving Borrowing shall bear interest on the outstanding principal amount thereof for the applicable Interest Period at a rate per annum equal to the lesser of (A) the Highest Lawful Rate and (B) the Eurodollar Basis *plus* the Applicable Margin.

(b) Subject to the provisions of Section 2.9 of the Credit Agreement and Paragraph 4, if at any time Lender has notified Borrower that the provisions of Sections 4.2 or 4.3 of the Credit Agreement apply, (i) all of the Revolving Borrowing shall become a Prime Rate Loan effective on the date on which Lender determines that the provisions of Section 4.2 of the Credit Agreement apply, and (ii) all of the Revolving Borrowing shall become a Prime Rate Loan on the last day of the current Interest Period applicable to the Revolving Borrowing if Lender determines that the provisions of Section 4.3 of the Credit Agreement apply and Borrower may not elect that the Revolving Borrowing be a Eurodollar Rate Loan until Lender notifies Borrower that the provisions of Sections 4.2 and 4.3 of the Credit Agreement no longer apply.

4. *Default Rate*. If an Event of Default exists, subject to Section 2.9 of the Credit Agreement, and in addition to all other rights and remedies of Lender hereunder, interest shall accrue at a per annum rate equal to the lesser of (a) the Default Rate, and (b) the Highest Lawful Rate, and such accrued interest shall be immediately due and payable. Borrower acknowledges that it would be extremely difficult or impracticable to determine Lender's actual damages resulting from any Event of Default, and such accrued interest is a reasonable estimate of those damages and does not constitute a penalty.

5. *Revolving Line of Credit*. Under the Credit Agreement, Borrower may request advances and make payments hereunder from time to time, provided that it is understood and agreed that the aggregate principal amount outstanding from time to time hereunder shall not at any time exceed $50,000,000.00. The unpaid balance of this Note shall increase and decrease with each new advance or payment hereunder, as the case may be. This Note shall not be deemed terminated or canceled prior to the date of its maturity, although the entire principal balance hereof may from time to time be paid in full. Borrower may borrow, repay and re-borrow hereunder. All payments and prepayments of principal or interest on this Note shall be made in lawful money of the United States of America in immediately available funds, at the address of Lender indicated above, or such other place as the holder of this Note shall designate in writing to Borrower. If any payment of principal or interest on this Note shall become due on a day which is not a Business Day (as hereinafter defined), such payment shall be made on the next succeeding Business Day and any such extension of time shall be included in computing interest in connection with such payment. The books and records of Lender shall be *prima facie* evidence of all outstanding principal of and accrued and unpaid interest on this Note.

6. *Prepayment*. Borrower reserves the right to prepay, prior to maturity, all or any part of the principal of this Note without premium or penalty. Each prepayment shall be accompanied by all accrued interest thereon, together with any additional amounts required pursuant to Article IV of the Credit Agreement. Any prepayments shall be applied as provided in the Credit Agreement. Borrower will provide written notice to the holder of this Note of any such prepayment of all or any part of the principal as provided in the Credit Agreement. All payments and prepayments of principal or interest on this Note shall be made in lawful money of the United States of America in immediately available funds, at Lender's Principal Office, or such other place as Lender shall designate in writing to Borrower.

7. *Default*. It is expressly provided that if an Event of Default (other than an Event of Default described in Sections 9.1(d) or (e) of the Credit Agreement) exists, the holder of this Note may, at its option, without further notice or demand, (a) declare the outstanding principal balance of and accrued but unpaid interest on this Note at once due and payable, (b) refuse to advance any additional amounts under this Note, (c) foreclose all Liens securing payment hereof, (d) pursue any and all other rights, remedies and recourses available to the holder hereof, including but not limited to any such rights, remedies or recourses under the Loan Documents, at law or in equity, or (e) pursue any combination of the foregoing; and in the event default is made in the prompt payment of this Note when due or declared due, and the same is placed in the hands of an attorney for collection, or suit is brought on same, or the same is collected through probate, bankruptcy or other judicial proceedings, then Borrower agrees and promises to pay all costs of collection, including Attorney Costs. It is expressly provided that upon the occurrence of an Event of Default specified in Section 9.1(d) or (e) of the Credit Agreement, and in addition to all other rights and remedies of Lender, the principal of and interest on the Revolving Borrowing and the Obligations and other amounts owed under the Loan Documents shall thereupon and concurrently therewith become due and payable, all without any action by Lender, or any holder hereof and without presentment, demand, protest or other notice of any kind, all of which are expressly waived, anything in the Loan Documents to the contrary notwithstanding.

8. *No Usury Intended; Usury Savings Clause*. In no event shall interest contracted for, charged or received hereunder, plus any other charges in connection herewith which constitute interest, exceed the maximum interest permitted by Applicable Law. The amounts of such interest or other charges previously paid to the holder of the Note in excess of the amounts permitted by Applicable Law shall be applied by the holder of the Note to reduce the principal of the indebtedness evidenced by the Note, or, at the option of the holder of the Note, be refunded. To the extent permitted by Applicable Law, determination of the legal maximum amount of interest shall at all times be made by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of the loan and indebtedness, all interest at any time contracted for, charged or received from the Borrower hereof in connection with the loan and indebtedness evidenced hereby, so that the actual rate of interest on account of such indebtedness is uniform throughout the term hereof.

9. *Security*. This Note has been executed and delivered pursuant to the Credit Agreement, and is secured by, *inter alia*, certain of the Loan Documents. The holder of this Note is entitled to the benefits and security provided in and subject to the terms of the Loan Documents.

10. *Joint and Several Liability; Waiver*. Each maker, signer, surety and endorser hereof, as well as all heirs, successors and legal representatives of said parties, shall be directly and primarily, jointly and severally, liable for the payment of all indebtedness hereunder. Lender may release or modify the obligations of any of the foregoing persons or entities, or guarantors hereof, in connection with this Note without affecting the obligations of the others. All such persons or entities expressly waive presentment and demand for payment, notice of default, notice of intent to accelerate maturity, notice of acceleration of maturity, protest, notice of protest, notice of dishonor, and all other notices and demands for which waiver is not prohibited by Law, and diligence in the collection hereof; and agree to all renewals, extensions, indulgences, partial payments, releases or exchanges of collateral, or taking of additional collateral, with or without notice, before or after maturity. No delay or omission of Lender in exercising any right hereunder shall be a waiver of such right or any other right under this Note.

11. *Texas Finance Code*. In no event shall Chapter 346 of the Texas Finance Code (which regulates certain revolving loan accounts and revolving tri-party accounts) apply to this Note. To the extent that Chapter 303 of the Texas Finance Code is applicable to this Note, the "weekly ceiling" specified in such article is the applicable ceiling; provided that, if any Applicable Law permits greater interest, the Law permitting the greatest interest shall apply.

12. *Governing Law, Venue*. This Note is being executed and delivered, and is intended to be performed in the State of Texas. Except to the extent that the Laws of the United States may apply to the terms hereof, the substantive Laws of the State of Texas shall govern the validity, construction, enforcement and interpretation of this Note. In the event of a dispute involving this Note or any other instruments executed in connection herewith, the undersigned irrevocably agrees that venue for such dispute shall lie in any court of competent jurisdiction in Collin County, Texas.

13. *Purpose of Loan*. Borrower agrees that advances under this Note shall be used solely for the purposes stated in the Credit Agreement.

14. *Captions*. The captions in this Note are inserted for convenience only and are not to be used to limit the terms herein.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.

BORROWER:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation

By: /s/ Mark W. Haushill
Print Name: Mark W. Haushill
Print Title: Executive Vice President & CFO

GUARANTY AGREEMENT

This GUARANTY AGREEMENT (this "Guaranty") is made as of the 11th day of December, 2019, by Guarantor (as hereinafter defined) for the benefit of Lender (as hereinafter defined).

1. *Definitions*. As used in this Guaranty, the following terms shall have the meanings indicated below:

(a) "Lender" means PROSPERITY BANK, a Texas banking association, whose address for notice purposes is the following:

5851 Legacy Circle, Suite 1200
Plano, Texas 75024
Attn: Todd Coultas

(b) "Borrower" means Houston International Insurance Group, Ltd., a Delaware limited partnership.

(c) "Credit Agreement" means the Credit Agreement dated as of the date hereof, between Borrower and Lender, together with all amendments and restatements thereto.

(d) "Guarantor" means HIIG SERVICE COMPANY, a Delaware corporation, and HIIG UNDERWRITERS AGENCY, INC., a Texas corporation, whose address for notice purposes is the following:

800 Gessner Road, 6th Floor
Houston, Texas 77024
Attn: Legal Department

(e) "Guaranteed Indebtedness" means (i) all obligations now or hereafter existing of Borrower and each other Obligor under the Credit Agreement and each other Loan Document (including, but not limited to, the Obligations), (ii) all accrued but unpaid interest (including all interest that would accrue but for the existence of a proceeding under any Debtor Relief Laws) on any of the indebtedness described in this definition of "Guaranteed Indebtedness," (iii) all costs and expenses incurred by Lender in connection with the collection and administration of all or any part of the indebtedness and obligations described in this definition of "Guaranteed Indebtedness" or the protection or preservation of, or realization upon, the collateral securing all or any part of such indebtedness and obligations, including, without limitation, all Attorney Costs, and (iv) all renewals, extensions, modifications, restructurings and rearrangements of the indebtedness and obligations described in this definition of "Guaranteed Indebtedness."

Capitalized terms not otherwise defined herein have the meaning specified in the Credit Agreement.

2. *Obligations*. As an inducement to Lender to extend or continue to extend credit and other financial accommodations to Borrower, Guarantor, for value received, does hereby unconditionally and absolutely guarantee the prompt and full payment and performance of the Guaranteed Indebtedness when due or declared to be due and at all times thereafter. Notwithstanding anything in this Guaranty to the contrary, the obligations of Guarantor under this Guaranty shall be limited to a maximum aggregate amount equal to the largest amount that would not render Guarantor's obligations hereunder subject to avoidance as a fraudulent transfer or fraudulent conveyance under Section 548 of Title 11 of the United States Code or any applicable provisions of comparable state Law (collectively, the "Fraudulent Transfer Laws"), in each case after giving effect to all other liabilities of Guarantor, contingent or otherwise, that are relevant under the Fraudulent Transfer Laws and after giving effect as assets to the value (as determined under the applicable provisions of the Fraudulent Transfer Laws) of any rights to subrogation, reimbursement or contribution of Guarantor pursuant to (a) applicable Law, or (b) any agreement providing for rights of subrogation, reimbursement or contribution in favor of Guarantor, or for an equitable allocation among Guarantor, Borrower, any other Obligor, and any other Person of obligations arising under guaranties or grants of collateral by such Persons.

3. *Character of Obligations*.

(a) This is an absolute, continuing and unconditional guaranty of payment and not of collection and if at any time or from time to time there is no outstanding Guaranteed Indebtedness, the obligations of Guarantor with respect to any and all Guaranteed Indebtedness incurred thereafter shall not be affected. This Guaranty and the Guarantor's obligations hereunder are irrevocable, except as provided in Section 25. All of the Guaranteed Indebtedness shall be conclusively presumed to have been made or acquired in acceptance hereof. Guarantor shall be liable, jointly and severally, with Borrower and any other guarantor of all or any part of the Guaranteed Indebtedness.

(b) Lender may, at its sole discretion and without impairing its rights hereunder, (i) apply any payments on the Guaranteed Indebtedness that Lender receives from Borrower or any other source other than Guarantor to that portion of the Guaranteed Indebtedness, if any, not guaranteed hereunder, and (ii) apply any proceeds it receives as a result of the foreclosure or other realization on any collateral for the Guaranteed Indebtedness to that portion, if any, of the Guaranteed Indebtedness not guaranteed hereunder or to any other indebtedness or other obligations owing to Lender secured by such collateral.

(c) Guarantor agrees that its obligations hereunder shall not be released, diminished, impaired, reduced or affected by the existence of any other guaranty or the payment by any other guarantor of all or any part of the Guaranteed Indebtedness and Guarantor's obligations hereunder shall continue until Lender has received payment in full of the Guaranteed Indebtedness and all obligations of Lender to extend credit under the Loan Documents are terminated.

(d) Guarantor's obligations hereunder shall not be released, diminished, impaired, reduced or affected by, nor shall any provision contained herein be deemed to be a limitation upon, (i) the amount of credit which Lender may extend to Borrower, (ii) the number of transactions between Lender and Borrower, (iii) payments by Borrower to Lender or (iv) Lender's allocation of payments by Borrower.

(e) Without further authorization from or notice to Guarantor, Lender may (i) compromise, accelerate or otherwise alter the time or manner for the payment of the Guaranteed Indebtedness, (ii) increase or reduce the rate of interest thereon, (iii) release or add any one or more guarantors or endorsers, (iv) consent to departure from any requirement of the Loan Agreement or any other Loan Document, or (v) allow substitution of or withdrawal of collateral or other security and release collateral and other security or subordinate the same.

4. *Representations and Warranties*. Guarantor hereby represents and warrants the following to Lender:

(a) This Guaranty may reasonably be expected to benefit, directly or indirectly, Guarantor, and the requisite number of its directors have determined that this Guaranty may reasonably be expected to benefit, directly or indirectly, Guarantor; and

(b) Guarantor is familiar with, and has independently reviewed the books and records regarding, the financial condition of Borrower and each other Obligor and is familiar with the value of any and all collateral intended to be security for the payment of all or any part of the Guaranteed Indebtedness; provided, however, Guarantor is not relying on such financial condition or collateral as an inducement to enter into this Guaranty; and

(c) Guarantor has adequate means to obtain from Borrower on a continuing basis information concerning the financial condition of Borrower and each other Obligor, and Guarantor is not relying on Lender to provide such information to Guarantor either now or in the future; and

(d) Guarantor has the power and authority to execute, deliver and perform this Guaranty and any other agreements executed by Guarantor contemporaneously herewith, and the execution, delivery and performance of this Guaranty and any other agreements executed by Guarantor contemporaneously herewith do not and will not violate (i) any agreement or instrument to which Guarantor is a party or its property is subject; (ii) any Law or order of any Governmental Authority to which Guarantor or its property is subject; or (iii) its articles of organization, certificate of formation or company agreement or other organization and governance documents; and

(e) Neither Lender nor any other party has made any representation, warranty or statement to Guarantor in order to induce Guarantor to execute this Guaranty; and

(f) The Financial Statements and other financial information regarding Guarantor heretofore and hereafter delivered to Lender are and shall be true and correct in all material respects and fairly present the financial position of Guarantor as of the dates thereof, and no material adverse change has occurred in the financial condition of Guarantor reflected in the Financial Statements and other financial information regarding Guarantor heretofore delivered to Lender since the date of the last statement thereof; and

(g) As of the date hereof, after giving effect to this Guaranty and the obligations evidenced hereby, Guarantor is and will be Solvent; and

(h) Guarantor has not entered into this Guaranty or any of the other Loan Documents to which it is a party or its property is subject with the intent to hinder, delay or defraud any creditor.

5. *Covenants*. Guarantor hereby covenants and agrees with Lender as follows:

(a) Guarantor shall not sell, lease, transfer, encumber, pledge or otherwise dispose of any material portion of Guarantor's assets or any interest therein except in the ordinary course of Guarantor's business and excluding the outstanding pledge of all capital stock of Guarantor to a creditor of the sole shareholder of Guarantor, without Lender's prior written consent or except as permitted in the Loan Documents; and

(b) Guarantor shall furnish to Lender, as soon as available, but in any event within one hundred twenty (120) days after the last day of each fiscal year of Guarantor, the consolidated annual audited Financial Statements of Borrower, which incorporates the financial condition and results of operations of Guarantor as of, and for the year ended on, such last day; and

(c) Guarantor shall furnish to Lender, as soon as available, but in any event within sixty (60) days after the last day of each of the first three fiscal quarters of Guarantor, unaudited consolidated Financial Statements of Borrower, which incorporates the financial condition and results of operations of Guarantor as of, and for the fiscal quarter ended on, such last day; and

(d) Guarantor shall promptly furnish to Lender at any time and from time to time such other Financial Statements and any other information as the Lender may require, in form and substance satisfactory to Lender, so long as such request does not require separate Financial Statements for each Guarantor which are separate from the Borrower's consolidated Financial Statements; and

(e) Guarantor shall comply with all terms and provisions of the Loan Documents that apply to Guarantor or its property; and

(f) Guarantor shall promptly inform Lender of (i) any Litigation or governmental investigation against Guarantor or affecting any security for all or any part of the Guaranteed Indebtedness or this Guaranty which, if determined adversely, might have a material adverse effect upon the financial condition of Guarantor or upon such security or might cause a Default under any of the Loan Documents; (ii) any claim or controversy which might become the subject of such Litigation or governmental investigation; (iii) any of Guarantor's representations no longer being true, accurate and complete in all material respects; and (iv) any material adverse change in the financial condition of Guarantor.

6. *Consent and Waiver*.

(a) Guarantor waives (i) promptness, diligence and notice of acceptance of this Guaranty and notice of the incurring of any obligation, indebtedness or liability to which this Guaranty applies or may apply and waives presentment for payment, notice of nonpayment, protest, demand, notice of protest, notice of intent to accelerate, notice of acceleration, notice of dishonor, diligence in enforcement and indulgences of every kind, and (ii) the taking of any other action by Lender, including, without limitation, giving any notice of Default or any other notice to, or making any demand on, Borrower, Guarantor, any other Obligor or any other guarantor of all or any part of the Guaranteed Indebtedness, or any other Person.

(b) Guarantor waives any rights Guarantor has under, or any requirements imposed by, Chapter 43 of the Texas Civil Practice and Remedies Code and to the extent Guarantor is subject to the Texas Revised Partnership Act ("TRPA") or Section 152.306 of the Texas Business Organizations Code ("BOC"), compliance by Lender with Section 3.05(d) of TRPA and Section 152.306(b) of BOC, as each is in effect on the date of this Guaranty or as it may be amended from time to time.

(c) Lender may at any time, without the consent of or notice to Guarantor, without incurring responsibility to Guarantor and without impairing, releasing, reducing or affecting the obligations of Guarantor hereunder: (i) change the manner, place or terms of payment of all or any part of the Guaranteed Indebtedness, or renew, extend, modify, rearrange or alter all or any part of the Guaranteed Indebtedness; (ii) change the interest rate accruing on any of the Guaranteed Indebtedness (including, without limitation, any periodic change in such interest rate that occurs because such Guaranteed Indebtedness accrues interest at a variable rate which may fluctuate from time to time); (iii) sell, exchange, release, surrender, subordinate, realize upon or otherwise deal with in any manner and in any order any collateral for all or any part of the Guaranteed Indebtedness or this Guaranty or setoff against all or any part of the Guaranteed Indebtedness; (iv) neglect, delay, omit, fail or refuse to take or prosecute any action for the collection of all or any part of the Guaranteed Indebtedness or this Guaranty or to take or prosecute any action in connection with any of the Loan Documents; (v) exercise or refrain from exercising any rights against Borrower, any other Obligor or others, or otherwise act or refrain from acting; (vi) settle or compromise all or any part of the Guaranteed Indebtedness and subordinate the payment of all or any part of the Guaranteed Indebtedness to the payment of any obligations, indebtedness or liabilities which may be due or become due to Lender or others; (vii) apply any deposit balance, fund, payment, collections through process of law or otherwise or other collateral of Borrower or any other Obligor to the satisfaction and liquidation of the indebtedness or obligations of Borrower and each other Obligor to Lender not guaranteed under this Guaranty; and (viii) apply any sums paid to Lender by Guarantor, Borrower, any other Obligor or others to the Guaranteed Indebtedness in such order and manner as Lender, in its sole discretion, may determine.

(d) Should Lender seek to enforce the obligations of Guarantor hereunder by action in any court or otherwise, Guarantor waives any requirement, substantive or procedural, that (i) Lender first enforce any rights or remedies against Borrower, any other Obligor or any other Person liable to Lender for all or any part of the Guaranteed Indebtedness, including, without limitation, that a judgment first be rendered against Borrower, any other Obligor or any other Person, or that Borrower, any other Obligor or any other Person should be joined in such cause, or (ii) Lender first enforce rights against any collateral which shall ever have been given to secure all or any part of the Guaranteed Indebtedness or this Guaranty. Such waiver shall be without prejudice to Lender's right, at its option, to proceed against Borrower, any other Obligor or any other Person, or against any collateral, whether by separate action or by joinder.

(e) **IN ADDITION TO ANY OTHER WAIVERS, AGREEMENTS AND COVENANTS OF GUARANTOR SET FORTH HEREIN, GUARANTOR HEREBY FURTHER WAIVES AND RELEASES (AND SHALL NOT BRING ANY CLAIM RELATED TO) ALL CLAIMS, CAUSES OF ACTION, DEFENSES AND OFFSETS FOR ANY ACT OR OMISSION OF LENDER, ITS DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES OR AGENTS IN CONNECTION WITH LENDER'S ADMINISTRATION OF THE GUARANTEED INDEBTEDNESS, EXCEPT FOR LENDER'S WILLFUL MISCONDUCT AND GROSS NEGLIGENCE.**

(f) Guarantor grants to Lender a contractual security interest in, and hereby grants control of, assigns, conveys, delivers, pledges and transfers to Lender all of Guarantor's right, title and interest in and to Guarantor's accounts with Lender (whether checking, savings or some other account), including, without limitation, all accounts held jointly with another person and all accounts Guarantor may open in the future, excluding all IRA and Keogh accounts and all trust and fiduciary accounts for which the grant of a security interest would be prohibited by Law or contract. Guarantor authorizes Lender, if an Event of Default hereunder or under the Credit Agreement occurs and to the extent not prohibited by applicable Law, to charge or setoff all sums owing on the Guaranteed Indebtedness against any and all such accounts.

(g) To the extent not prohibited by applicable law, Guarantor waives (i) each of Guarantor's rights or defenses, regardless of whether they arise, under (A) Rule 31 of the Texas Rules of Civil Procedure, (B) Section 17.001 of the Texas Civil Practice and Remedies Code, or (C) any other statute or law, common law, in equity, under contract or otherwise, or under any amendments, recodifications, supplements or any successor statute or law of or to any such statute or law, and (ii) any and all rights under Sections 51.003, 51.004 and 51.005 of the Texas Property Code, and under any amendments, recodifications, supplements or any successor statute or law of or to any such statute or law. The parties intend that Guarantor shall not be considered a "debtor" as defined in Section 9.102 of the Texas Business and Commerce Code (and any successor statute thereto), as amended.

7. *Obligations Not Impaired*.

(a) Guarantor agrees that its obligations hereunder shall not be released, diminished, impaired, reduced or affected by the occurrence of any one or more of the following events: (i) the death, disability or lack of corporate, company, partnership or trust power, as appropriate, of Borrower, Guarantor, any other Obligor or any other guarantor of all or any part of the Guaranteed Indebtedness, (ii) any receivership, insolvency, bankruptcy or other proceedings affecting Borrower, Guarantor, any other Obligor or any other guarantor of all or any part of the Guaranteed Indebtedness, or any of their respective property; (iii) the partial or total release or discharge of Borrower, any other Obligor or any other guarantor of all or any part of the Guaranteed Indebtedness, or any other Person from the performance of any obligation contained in any instrument or agreement evidencing, governing or securing all or any part of the Guaranteed Indebtedness, whether occurring by reason of Law or otherwise; (iv) the taking or accepting of any collateral for all or any part of the Guaranteed Indebtedness or this Guaranty; (v) the taking or accepting of any other guaranty for all or any part of the Guaranteed Indebtedness; (vi) any failure by Lender to acquire, perfect or continue any Lien or security interest on collateral securing all or any part of the Guaranteed Indebtedness or this Guaranty; (vii) the impairment of any collateral securing all or any part of the Guaranteed Indebtedness or this Guaranty; (viii) any failure by Lender to sell any collateral securing all or any part of the Guaranteed Indebtedness or this Guaranty in a commercially reasonable manner or as otherwise required by Law; (ix) any invalidity or unenforceability of or defect or deficiency in any of the Loan Documents; or (x) any other circumstance which might otherwise constitute a defense available to, or discharge of, Borrower, Guarantor, any other Obligor or any other guarantor of all or any part of the Guaranteed Indebtedness (other than final payment in full in cash of the Guaranteed Indebtedness; or (xi) the application by Lender of the proceeds from the sale, foreclosure or other realization of or on any collateral for the Guaranteed Indebtedness to any other indebtedness or obligations secured by such collateral.

(b) This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of all or any part of the Guaranteed Indebtedness is rescinded or must otherwise be returned by Lender upon the insolvency, bankruptcy or reorganization of Borrower, Guarantor, any other Obligor, or any other guarantor of all or any part of the Guaranteed Indebtedness, or otherwise, all as though such payment had not been made.

(c) None of the following shall affect Guarantor's liability hereunder: (i) the unenforceability of all or any part of the Guaranteed Indebtedness against Borrower or any other Obligor by reason of the fact that the Guaranteed Indebtedness exceeds the amount permitted by Law; (ii) the act of creating all or any part of the Guaranteed Indebtedness is ultra vires; or (iii) the officers or partners creating all or any part of the Guaranteed Indebtedness acted in excess of their authority.

8. *Actions Against Guarantor*. If an Event of Default exists (including a default in the payment or performance of all or any part of the Guaranteed Indebtedness when such Guaranteed Indebtedness becomes due, whether by its terms, by acceleration or otherwise), Guarantor shall, without notice or demand, promptly pay the amount due thereon to Lender, in lawful money of the United States, at Lender's address set forth in Section 1(a) above. In order to collect payment, one or more successive or concurrent actions may be brought against Guarantor, either in the same action in which Borrower or any other Obligor is sued or in separate actions, as often as Lender deems advisable. The exercise by Lender of any right or remedy under this Guaranty, any other Loan Document or under any other agreement or instrument, at law, in equity or otherwise, shall not preclude concurrent or subsequent exercise of any other right or remedy. The books and records of Lender shall be admissible as evidence in any action or proceeding involving this Guaranty and shall be prima facie evidence of the payments made on, and the outstanding balance of, the Guaranteed Indebtedness.

9. *Payment by Guarantor*. Whenever Guarantor makes any payment to Lender which is or may become due under this Guaranty, written notice must be delivered to Lender contemporaneously with such payment. Such notice shall be effective for purposes of this paragraph when contemporaneously with such payment Lender receives such notice either by: (a) personal delivery to the address and designated department of Lender identified in Section 1(a) above, or (b) United States mail, certified or registered, return receipt requested, postage prepaid, addressed to Lender at the address shown in Section 1(a) above. In the absence of such notice to Lender by Guarantor in compliance with the provisions hereof, any sum received by Lender on account of the Guaranteed Indebtedness shall be conclusively deemed paid by Borrower.

10. *Default.* The failure or refusal of Guarantor punctually and properly to perform, observe and comply with any covenant, agreement or condition contained herein shall immediately constitute an "Event of Default" hereunder and under the Credit Agreement.

11. *Notice of Sale*. In the event that Guarantor is entitled to receive any notice under the Uniform Commercial Code, as it exists in the state governing any such notice, of the sale or other disposition of any collateral securing all or any part of the Guaranteed Indebtedness or this Guaranty, reasonable notice shall be deemed given when such notice is deposited in the United States mail, postage prepaid, at the address for Guarantor set forth in Section 1(d) above, ten (10) days prior to the date any public sale, or after which any private sale, of any such collateral is to be held.

12. *Waiver by Lender*. No delay on the part of Lender in exercising any right hereunder or failure to exercise the same shall operate as a waiver of such right. In no event shall any waiver of the provisions of this Guaranty be effective unless the same be in writing and signed by an officer of Lender, and then only in the specific instance and for the purpose given.

13. *Successors and Assigns*. This Guaranty is for the benefit of Lender, its successors and assigns. This Guaranty is binding upon Guarantor and Guarantor's successors and permitted assigns, including, without limitation, any Person obligated by operation of Law upon the reorganization, merger, consolidation or other change in the organizational structure of Guarantor.

14. *Costs and Expenses*. Guarantor shall pay on demand by Lender all costs and expenses, including, without limitation, all Attorney Costs, incurred by Lender in connection with the preparation, administration, enforcement and/or collection of this Guaranty. This covenant shall survive the payment of the Guaranteed Indebtedness.

15. *Severability*. If any provision of this Guaranty is held by a court of competent jurisdiction to be illegal, invalid or unenforceable under present or future Laws, such provision shall be fully severable, shall not impair or invalidate the remainder of this Guaranty and the effect thereof shall be confined to the provision held to be illegal, invalid or unenforceable.

16. *No Obligation*. Nothing contained herein shall be construed as an obligation on the part of Lender to extend or continue to extend credit to Borrower.

17. *Amendment*. No modification or amendment of any provision of this Guaranty, nor consent to any departure by Guarantor therefrom, shall be effective unless the same shall be in writing and signed by an officer of Lender, and then shall be effective only in the specific instance and for the purpose for which given.

18. *Cumulative Rights*. All rights and remedies of Lender hereunder are cumulative of each other and of every other right or remedy which Lender may otherwise have at law or in equity or under any instrument or agreement, and the exercise of one or more of such rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of any other rights or remedies. This Guaranty, whether general, specific and/or limited, shall be in addition to and cumulative of, and not in substitution, novation or discharge of, any and all prior or contemporaneous guaranty agreements by Guarantor in favor of Lender or assigned to Lender by others.

19. *Governing Law, Venue*. This Guaranty is intended to be performed in the State of Texas. Except to the extent that the Laws of the United States may apply to the terms hereof, the substantive Laws of the State of Texas shall govern the validity, construction, enforcement and interpretation of this Guaranty. In the event of a dispute involving this Guaranty, any other Loan Document or any other instruments executed in connection herewith, the undersigned irrevocably agrees that venue for such dispute shall lie in any court of competent jurisdiction in Collin County, Texas.

20. *Compliance with Applicable Usury Laws*. Notwithstanding any other provision of this Guaranty, any other Loan Document or of any instrument or agreement evidencing, governing or securing all or any part of the Guaranteed Indebtedness, Guarantor and Lender by its acceptance hereof agree that Guarantor shall never be required or obligated to pay interest in excess of the maximum non-usurious interest rate as may be authorized by applicable Law for the written contracts which constitute the Guaranteed Indebtedness. It is the intention of Guarantor and Lender to conform strictly to the applicable Laws which limit interest rates, and any of the aforesaid contracts for interest, if and to the extent payable by Guarantor, shall be held to be subject to reduction to the maximum non-usurious interest rate allowed under said Law.

21. *Gender*. Within this Guaranty, words of any gender shall be held and construed to include the other gender.

22. *Captions*. The headings in this Guaranty are for convenience only and shall not define or limit the provisions hereof.

23. *No Subrogation*. Notwithstanding any payment or payments by Guarantor hereunder or any set-off or application of funds of Guarantor by Lender, Guarantor shall not be entitled to be subrogated to any of the rights of Lender against Borrower, any other Obligor or any other Person or any guarantee or right of offset held by Lender of the payment of the Guaranteed Indebtedness, nor shall Guarantor seek or be entitled to any reimbursement or contribution from Borrower, any other Obligor, or any other Person in respect of payments made by Guarantor hereunder, until all amounts owing to Lender by Borrower on account of the Guaranteed Indebtedness are indefeasibly paid in full in cash and all obligations of Lender to extend credit under the Loan Documents are terminated. If any amount shall be paid to Guarantor on account of the subrogation rights at any time when all of the Guaranteed Indebtedness has not been indefeasibly paid in full in cash, such amount shall be held by Guarantor in trust for Lender, segregated from other funds of Guarantor, and shall, immediately upon receipt by Guarantor, be turned over to Lender in the exact form received by Guarantor (duly endorsed by Guarantor to Lender, if required), to be applied against the Guaranteed Indebtedness, whether matured or unmatured, in such order as Lender may determine.

24. *Electronic Signatures and Electronic Records*. Each party to this Agreement consents to the use of electronic and/or digital signatures by one or both parties. This Agreement, and any other documents requiring a signature hereunder, may be signed electronically or digitally in a manner specified solely by Prosperity Bank. The parties agree not to deny the legal effect or enforceability of this Agreement solely because (i) the Agreement is entirely in electronic or digital form, including any use of electronically or digitally generated signatures, or (ii) an electronic or digital record was used in the formation of this Agreement or the Agreement was subsequently converted to an electronic or digital record by one or both parties. The parties agree not to object to the admissibility of this Agreement in the form of an electronic or digital record, or a paper copy of an electronic or digital document, or a paper copy of a document bearing an electronic or digital signature, on the grounds that the record or signature is not in its original form or is not the original of the Agreement or the Agreement does not comply with Chapter 26 of the Texas Business and Commerce Code.

25. *Right of Revocation*. Guarantor understands and agrees that Guarantor may revoke its future obligations under this Guaranty at any time by giving Lender written notice that Guarantor will not be liable hereunder for any indebtedness or obligations of Borrower incurred on or after the effective date of such revocation. Such revocation shall be deemed to be effective on the day following the day Lender receives such notice delivered either by: (a) personal delivery to the address and designated department of Lender identified in Section 1(a) above, or (b) United States mail, registered or certified, return receipt requested, postage prepaid, addressed to Lender at the address shown in Section 1(a) above. Notwithstanding such revocation, Guarantor shall remain liable on its obligations hereunder until payment in full to Lender of (a) all of the Guaranteed Indebtedness that is outstanding on the effective date of such revocation, and any renewals and extensions thereof, and (b) all loans, advances and other extensions of credit made to or for the account of Borrower on or after the effective date of such revocation pursuant to the obligation of Lender under a commitment or agreement (including the Loan Documents) made to or with Borrower prior to the effective date of such revocation. The terms and conditions of this Guaranty, including without limitation the consents and waivers set forth in Section 6 hereof, shall remain in effect with respect to the Guaranteed Indebtedness described in the preceding sentence in the same manner as if such revocation had not been made by Guarantor.

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EXECUTED as of the date first above written.

GUARANTOR:

HIIG SERVICE COMPANY, a Delaware corporation

By: /s/ Mark W. Haushill
Print Name: Mark W. Haushill
Print Title: Executive Vice President

HIIG UNDERWRITERS AGENCY, INC., a Texas corporation

By: /s/ Mark W. Haushill
Print Name: Mark W. Haushill
Print Title: Executive Vice President

[Signature Page to Guaranty Agreement]

SECURITY AGREEMENT

Borrower/		Lender/	
Grantor:	Houston International Insurance Group, Ltd.	Secured Party:	Prosperity Bank
Address:	800 Gessner Road, 6th Floor	Address:	5851 Legacy Circle, Suite 1200
	Houston, Texas 77024		Plano, Texas 75024

THIS SECURITY AGREEMENT ("Agreement") is dated December 11, 2019, by and between Borrower identified above ("Borrower") and Lender ("Secured Party"). Borrower hereby agrees with Secured Party as follows:

1. *Definitions*. As used in this Agreement, the following terms shall have the meanings indicated below:

(a) "Code" means the Uniform Commercial Code as in effect in the State of Texas or of any other state having jurisdiction with respect to any of the rights and remedies of Secured Party on the date of this Agreement or as it may hereafter be amended from time to time.

(b) "Collateral" means all of the personal property of Grantor including but not limited to, wherever located, and now owned or hereafter acquired:

(i) All "accounts", as defined in the Code (including all health care insurance receivables), together with any and all books of account, customer lists and in any case where an account arises from the sale of goods, the interest of Grantor in such goods.

(ii) All "inventory" as defined in the Code.

(iii) All "chattel paper" as defined in the Code.

(iv) All "equipment" as defined in the Code, of whatsoever kind and character now or hereafter possessed, held, acquired, leased or owned by Grantor and used or usable in Grantor's business, and in any event shall include, but shall not be limited to, all machinery, tools, computer software, office equipment, furniture, appliances, furnishings, fixtures, vehicles, motor vehicles, together with all replacements, accessories, additions, substitutions and accessions to all of the foregoing, and all manuals and instructions. To the extent that the foregoing property is located on, attached to, annexed to, related to, or used in connection with, or otherwise made a part of, and is or shall become fixtures upon, real property, such real property and the record owner thereof (if other than Grantor) is described on Schedule 1 attached hereto and made a part hereof.

(v) All "fixtures" as defined in the Code.

(vi) All "instruments" as defined in the Code (including promissory notes).

(vii) All "investment property" as defined in the Code.

(viii) All "documents" as defined in the Code.

(ix) All "deposit accounts" as defined in the Code.

(x) All "commercial tort claims" as defined in the Code, including but not limited to all commercial tort claims described on Schedule 8.

(xi) All "letter of credit rights" as defined in the Code.

(xii) All "general intangibles" as defined in the Code, including all rights in all payment intangibles, permits, regulatory approvals, copyrights, patents, trademarks, service marks, trade names, mask works, goodwill, licenses and all other intellectual property owned by Grantor or used in Grantor's business.

(xiii) All "supporting obligations" as defined in the Code.

(xiv) All Patents, Trademarks, Copyrights, and Licenses.

(xv) All commissions (including, but not limited to, all insurance, reinsurance, placement and broker commissions) and other payments owed to Grantor in consideration for services performed or to be performed and goods provided or to be provided by Grantor and its Subsidiaries, all renewal and reinstatement commissions and payments, and all contractual rights of Grantor and its Subsidiaries to receive such commissions or any other payments with respect to the other foregoing and following property and all future commissions, including but not limited to any of the foregoing that were earned by or owed to Grantor or such Subsidiary prior to or after the commencement of any proceeding under any Debtor Relief Law involving Grantor or such Subsidiary but which were received by Grantor or such Subsidiary after the commencement of such proceeding under any Debtor Relief Law.

(xvi) All records relating in any way to the foregoing and following (including, without limitation, any computer software, whether on tape, disk, card, strip, cartridge or any other form).

(xvii) Collateral also includes all PRODUCTS and PROCEEDS of all of the foregoing (including without limitation, insurance payable by reason of loss or damage to the foregoing property) and any property, securities, guaranties or monies of Grantor which may at any time come into the possession of Secured Party. The designation of proceeds does not authorize Grantor to sell, transfer or otherwise convey any of the foregoing property except as otherwise provided herein or in the other Loan Documents.

(c) "Copyright License" means any agreement, now or hereafter in effect, granting any right to any third party under any Copyright now or hereafter owned by Grantor or which Grantor otherwise has the right to license, or granting any right to Grantor under any Copyright now or hereafter owned by any third party, and all rights of Grantor under any such agreement.

(d) "Copyrights" means (i) all copyright rights in any work subject to the copyright Laws of any Governmental Authority, whether as author, assignee, transferee, or otherwise, (ii) all registrations and applications for registration of any such copyright in any Governmental Authority, including registrations, recordings, supplemental registrations, and pending applications for registration in any jurisdiction, and (iii) all rights to use and/or sell any of the foregoing.

(e) "Credit Agreement" means the Credit Agreement dated as of December 11, 2019, between Grantor and Secured Party, together with all amendments and restatements thereto.

(f) "Grantor" means Borrower, a corporation, who is organized in the State of Delaware.

(g) "Indebtedness" means (i) all indebtedness, obligations and liabilities of Grantor and each other Obligor to Secured Party of any kind or character, now existing or hereafter arising, whether direct, indirect, related, unrelated, fixed, contingent, liquidated, unliquidated, joint, several or joint and several, and regardless of whether such indebtedness, obligations and liabilities may, prior to their acquisition by Secured Party, be or have been payable to or in favor of a third party and subsequently acquired by Secured Party (it being contemplated that Secured Party may make such acquisitions from third parties), including without limitation all indebtedness, obligations and liabilities of Grantor and each other Obligor to Secured Party now existing or hereafter arising by note, draft, acceptance, guaranty, endorsement, letter of credit, assignment, purchase, overdraft, discount, indemnity agreement or otherwise, (ii) all indebtedness, obligations and liabilities now or hereafter existing of Grantor and each other Obligor under the Credit Agreement and each other Loan Document (including, but not limited to, the Obligations), (iii) all Secured Obligations, (iv) all accrued but unpaid interest (including all interest that would accrue but for the existence of a proceeding under any Debtor Relief Laws) on any of the indebtedness, obligations and liabilities described in this definition of "Indebtedness," (v) all indebtedness, obligations and liabilities of Grantor and each other Obligor to Secured Party under any documents evidencing, securing, governing and/or pertaining to all or any part of the indebtedness, obligations and liabilities described in this definition of "Indebtedness," (vi) all reasonable costs and expenses incurred by Secured Party prior to an Event of Default and all costs and expenses incurred by Secured Party following an Event of Default in connection with the collection and administration of all or any part of the indebtedness, obligations and liabilities described in this definition of "Indebtedness" or the protection or preservation of, or realization upon, the collateral securing all or any part of such indebtedness, obligations and liabilities, including without limitation all Attorney Costs, and (vii) all renewals, extensions, modifications and rearrangements of the indebtedness, obligations and liabilities described in this definition of "Indebtedness".

(h) "License" means any Patent License, Trademark License, Copyright License, or other similar license or sublicense.

(i) "Patent License" means any agreement, now or hereafter in effect, granting to any third party any right to make, use or sell any invention on which a Patent, now or hereafter owned by Grantor or which Grantor otherwise has the right to license, is in existence, or granting to Grantor any right to make, use or sell any invention on which a Patent, now or hereafter owned by any third party, is in existence, and all rights of Grantor under any such agreement.

(j) "Patents" means (i) all letters patent of any Governmental Authority, all registrations and recordings thereof, and all applications for letters patent of any Governmental Authority, and (ii) all reissues, continuations, divisions, continuations-in-part, renewals, or extensions thereof, and the inventions disclosed or claimed therein, including the right to make, use and/or sell the inventions disclosed or claimed therein.

(k) "Pledged Debt" means all Indebtedness owed to Grantor, the instruments evidencing such indebtedness, and all interest, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such indebtedness.

(l) "Software" means all right, title, and interest of Grantor in and to software (as defined in the Code), and (whether or not included in such definition), a computer program (including both source and object code) and any supporting information provided in connection with a transaction relating to the program.

(m) "Trademark License" means any agreement, now or hereafter in effect, granting to any third party any right to use any Trademark now or hereafter owned by Grantor or which Grantor otherwise has the right to license, or granting to Grantor any right to use any Trademark now or hereafter owned by any third party, and all rights of Grantor under any such agreement.

(n) "Trademarks" means (i) all trademarks, service marks, trade names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, logos, other source or business identifiers, designs and general intangibles of like nature, all registrations and recordings thereof, and all registration and recording applications filed with any Governmental Authority in connection therewith, and all extensions or renewals thereof, (ii) all goodwill associated therewith or symbolized thereby, (iii) all other assets, rights and interests that uniquely reflect or embody such goodwill, and (iv) all rights to use and/or sell any of the foregoing.

All words and phrases used herein which are expressly defined in Section 1.201 or Chapter 9 of the Code shall have the meaning provided for therein. Other words and phrases defined elsewhere in the Code shall have the meaning specified therein except to the extent such meaning is inconsistent with a definition in Section 1.201 or Chapter 9 of the Code. Capitalized terms not otherwise defined herein have the meaning specified in the Credit Agreement.

2. *Security Interest*. As security for the Indebtedness, Grantor, for value received, hereby pledges and grants to Secured Party, to the extent permitted by and subject to all limits of, Applicable Law, a continuing security interest in the Collateral.

3. *Representations and Warranties*. In addition to any representations and warranties of Grantor set forth in the Loan Documents, which are incorporated herein by this reference, Grantor hereby represents and warrants the following to Secured Party:

(a) Authority. The execution, delivery and performance of this Agreement and all of the other Loan Documents by Grantor have been duly authorized by all necessary limited liability company action of Grantor.

(b) Accuracy of Information. All information heretofore, herein or hereafter supplied to Secured Party by or on behalf of Grantor with respect to Grantor and the Collateral is true and correct in all material respects. The exact name of Grantor, as stated in the currently effective Organizational Documents of Grantor as filed with the appropriate authority of Grantor's jurisdiction of organization, is as stated on Schedule 1.

(c) Enforceability. This Agreement and the other Loan Documents constitute legal, valid and binding obligations of Grantor, enforceable in accordance with their respective terms, except as limited as to enforcement of remedies by Debtor Relief Laws and except to the extent specific remedies may generally be limited by equitable principles.

(d) Ownership and Liens. Grantor has good and marketable title to the Collateral free and clear of all Liens or adverse claims, except for Permitted Liens. No dispute, right of setoff, counterclaim or defense exists with respect to all or any part of the Collateral. Grantor has not executed any other security agreement currently affecting the Collateral and no effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording office except as may have been executed or filed in favor of Secured Party. Grantor has not been a party to a securitization or similar transaction involving assets of Grantor during the five years preceding the date of this Agreement.

(e) No Conflicts or Consents. Neither the ownership, the intended use of the Collateral by Grantor, the grant of the security interest by Grantor to Secured Party herein nor the exercise by Secured Party of its rights or remedies hereunder, will (i) conflict with any provision of (A) any Law, (B) the Organizational Documents of Grantor, or (C) any material agreement, judgment, license, order or permit applicable to or binding upon Grantor, or (ii) result in or require the creation of any Lien upon any assets or properties of Grantor or of any Person except as may be expressly contemplated in the Loan Documents. Except as expressly contemplated in the Loan Documents, no consent, approval, authorization or order of, and no notice to or filing with, any Governmental Authority or other Person is required in connection with the grant by Grantor of the security interest herein or the exercise by Secured Party of its rights and remedies hereunder.

(f) Security Interest. Grantor has and will have at all times full right, power and authority to grant a security interest in the Collateral to Secured Party in the manner provided herein, free and clear of any Lien or other charge or encumbrance (other than Permitted Liens). This Agreement creates a legal, valid and binding security interest in favor of Secured Party in the Collateral securing the Indebtedness. To the extent permitted in the Code, possession by Secured Party of all certificates, instruments and cash constituting Collateral from time to time and/or the filing of the financing statements delivered prior hereto and/or concurrently herewith by Grantor to Secured Party will perfect and establish the first priority of Secured Party's security interest hereunder in the Collateral. Upon the filing of a financing statement describing the Collateral with the Uniform Commercial Code filing office described on Schedule 1, the security interest granted pursuant to this Agreement shall be perfected and prior to all other Liens (other than Permitted Liens) therein (to the extent such security interest can be perfected by the filing of a financing statement).

(g) Location/Identity. Grantor's principal place of business and chief executive office (as those terms are used in the Code), is located at the address set forth on the first page hereof. Except as specified elsewhere herein, all Collateral and records concerning the Collateral shall be kept at such address. Grantor's exact legal name, entity type, state of organization and federal taxpayer identification number (the "Organizational Information") are as set forth on Schedule 1. Grantor is not organized in more than one jurisdiction. Except as provided herein, the Organizational Information shall not change. During the five years preceding the date of this Agreement, Grantor has not had or operated under any name other than its name as stated on Schedule 1, has not been organized under the Laws of any jurisdiction other than Delaware, has not been organized as any type of entity other than a corporation. Schedule 1 is a complete and correct description of all addresses where Collateral is kept. Except for Collateral in the possession of Secured Party and Collateral in the possession of or subject to the control of third parties described on Schedule 1, Grantor has exclusive possession and control of all Collateral and all records related to Collateral.

(h) Solvency of Grantor. As of the date hereof, and after giving effect to this Agreement and the completion of all other transactions contemplated by Grantor at the time of the execution of this Agreement, Grantor is and will be Solvent. Grantor is not entering into this Agreement or any other Loan Document to which Grantor is a party or its property is subject with the intent of hindering, delaying or defrauding any creditor.

(i) Exclusion of Certain Collateral. Unless otherwise agreed by Secured Party, the Collateral does not include any aircraft, watercraft or vessels, railroad cars, railroad equipment, locomotives or other rolling stock intended for a use related to interstate commerce.

(j) Compliance with Environmental Laws. Except as disclosed in writing to Secured Party: (i) Grantor is conducting Grantor's businesses in material compliance with all applicable federal, state and local Laws, orders, determinations and court decisions, including without limitation, those pertaining to health or environmental matters such as the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 (collectively, together with any subsequent amendments, hereinafter called "CERCLA"), the Resource Conservation and Recovery Act of 1976, as amended by the Used Oil Recycling Act of 1980, the Solid Waste Disposal Act Amendments of 1980, and the Hazardous Substance Waste Amendments of 1984 (collectively, together with any subsequent amendments, hereinafter called "RCRA"), the Texas Water Code and the Texas Solid Waste Disposal Act; (ii) to the Knowledge of the Company, none of the operations of Grantor is the subject of a federal, state or local investigation evaluating whether any material remedial action is needed to respond to a release or disposal of any toxic or hazardous substance or solid waste into the environment; (iii) Grantor has not filed any notice under any Law indicating that Grantor is responsible for the release into the environment, the disposal on any premises in which Grantor is conducting its businesses or the improper storage, of any material amount of any toxic or hazardous substance or solid waste or that any such toxic or hazardous substance or solid waste has been released, disposed of or is improperly stored, upon any premise on which Grantor is conducting its businesses; and Grantor otherwise does not have any known material contingent liability in connection with the release into the environment, disposal or the improper storage, of any such toxic or hazardous substance or solid waste. The terms "hazardous substance" and "release", as used herein, shall have the meanings specified in CERCLA, and the terms "solid waste" and "disposal", as used herein, shall have the meanings specified in RCRA; provided, however, that to the extent that the Laws of the State of Texas establish meanings for such terms which are broader than that specified in either CERCLA or RCRA, such broader meanings shall apply.

(k) Inventory. The security interest in the inventory shall continue through all stages of manufacture and shall, without further action, attach to the accounts or other proceeds resulting from the sale or other disposition thereof and to all such inventory as may be returned to Grantor by its account debtors.

(l) Accounts. Each account represents the valid and legally binding indebtedness of a bona fide account debtor arising from the sale or lease by Grantor of goods or the rendition by Grantor of services and is not subject to contra accounts, setoffs, defenses or counterclaims by or available to account debtors obligated on the accounts except as disclosed by Grantor to Secured Party from time to time in writing. The amount shown as to each account on Grantor's books is the true and undisputed amount owing and unpaid thereon, subject only to discounts, allowances, rebates, credits and adjustments to which the account debtor has a right and which have been disclosed to Secured Party in writing.

(m) Chattel Paper, Documents and Instruments. The chattel paper, documents and instruments of Grantor pledged hereunder have only one original counterpart and no party other than Grantor or Secured Party is in actual or constructive possession of any such chattel paper, documents or instruments. No chattel paper is electronic chattel paper.

(n) Patents. Schedule 2 is a complete and correct list of each Patent in which Grantor has any interest (whether as owner, licensee, or otherwise), including the name of the registered owner, the nature of Grantor's interest, the Patent registration number, the date of Patent issuance, and the country issuing the Patent.

(o) Patent Applications. Schedule 3 is a complete and correct list of each Patent application in which Grantor has any interest (whether as owner, licensee, or otherwise), including the name of the Person applying to be the registered owner, the nature of Grantor's interest, the Patent application number, the date of Patent filing, and the country with which the Patent application was filed.

(p) Trademarks. Schedule 4 is a complete and correct list of each Trademark in which Grantor has any interest (whether as owner, licensee, or otherwise), including the name of the registered owner, the nature of Grantor's interest, the registered Trademark, the Trademark registration number, the international class covered, the goods and services covered, the date of Trademark registration, and the country registering the Trademark.

(q) Trademark Applications. Schedule 5 is a complete and correct list of each Trademark application in which Grantor has any interest (whether as owner, licensee, or otherwise), including the name of the Person applying to be the registered owner, the nature of Grantor's interest, the Trademark the subject of the application, the Trademark application serial number, the international class covered, the goods and services covered, the date of Trademark application filing, and the country with which the Trademark application was filed.

(r) Copyrights. Schedule 6 is a complete and correct list of each Copyright in which Grantor has any interest (whether as owner, licensee, or otherwise), including the name of the registered owner, the nature of Grantor's interest, the registered Copyright, the date of Copyright issuance, and the country issuing the Copyright.

(s) Copyright Applications. Schedule 7 is a complete and correct list of each Copyright application in which Grantor has any interest (whether as owner, licensee, or otherwise), including the name of the Person applying to be the registered owner, the nature of Grantor's interest, the Copyright the subject of the application, the date of Copyright application filing, and the country with which the Copyright application was filed.

(t) Commercial Tort Claims. Schedule 8 is a complete and correct list of all commercial tort claims in which Grantor has any interest, including the complete case name or style, the case number, and the court or other Governmental Authority in which the case is pending.

(u) Deposit Accounts. Schedule 9 is a complete and correct list of all deposit accounts maintained by or in which Grantor has any interest and correctly describes the bank in which such account is maintained (including the specific branch), the street address (including the specific branch) and ABA number of such bank, the account number, and account type.

(v) Commodity Accounts. Schedule 10 is a complete and correct list of all commodity accounts in which Grantor has any interest, including the complete name and identification number of the account, a description of the governing agreement, and the name and street address of the commodity intermediary maintaining the account.

(w) Securities Accounts. Schedule 11 is a complete and correct list of all securities accounts in which Grantor has any interest, including the complete name and identification number of the account, a description of the governing agreement, and the name and street address of the securities intermediary maintaining the account.

(x) Letters of Credit. Schedule 12 is a complete and correct list of all letters of credit in which Grantor has any interest (other than solely as an applicant) and correctly describes the bank which issued the letter of credit, and the letter of credit's number, issue date, expiry, and face amount.

(y) Debt. Schedule 13 is a complete and correct list of all Pledged Debt, promissory notes and other instruments evidencing indebtedness held by Grantor, including all intercompany notes and other instruments between Grantor and each Subsidiary.

(z) Software. Schedule 14 is a complete and correct list of all Software (excluding "mass market" Software (i) subject to a "shrink-wrap" or similar non-negotiable, non-exclusive license agreement and (ii) not material to the operations of Grantor or used in processing material information of Grantor) in which Grantor has any interest (whether as owner, licensee, or otherwise), including the name of the licensor and the escrow agent under the applicable Software escrow agreement (if any).

(aa) Internet. Schedule 15 is a complete and correct list of all internet domain names, the complete name of the registered owner, and the domain registration provider for each domain name and internet website in which Grantor has any interest.

4. *Affirmative Covenants*. In addition to all covenants and agreements of Grantor set forth in the Loan Documents, which are incorporated herein by this reference, Grantor will comply with the covenants contained in this Section 4 at all times during the period of time this Agreement is effective unless Secured Party shall otherwise consent in writing.

(a) Ownership and Liens. Grantor will maintain good and marketable title to all Collateral free and clear of all Liens or adverse claims, except for the security interest created by this Agreement and the security interests and other encumbrances expressly permitted herein or by the other Loan Documents. Grantor will not permit any dispute, right of setoff, counterclaim or defense to exist with respect to all or any part of the Collateral. Grantor will cause any financing statement or other security instrument with respect to the Collateral to be terminated, except as may exist or as may have been filed in favor of Secured Party or as permitted by the Credit Agreement or this Agreement. Grantor hereby irrevocably appoints Secured Party as Grantor's attorney-in-fact, such power of attorney being coupled with an interest, with full authority in the place and stead of Grantor and in the name of Grantor or otherwise, for the purpose of terminating any financing statements currently filed with respect to the Collateral. Grantor will defend at its expense Secured Party's right, title and security interest in and to the Collateral against the claims of any third party.

(b) Further Assurances. Grantor will from time to time at its expense promptly execute and deliver all further instruments and documents and take all further action necessary or appropriate or that Secured Party may reasonably request in order (i) to perfect and protect the security interest created or purported to be created hereby and the first priority of such security interest, (ii) to enable Secured Party to exercise and enforce its rights and remedies hereunder in respect of the Collateral, and (iii) to otherwise effect the purposes of this Agreement, including without limitation: (A) executing (if requested) and filing such financing or continuation statements, or amendments thereto; and (B) furnishing to Secured Party from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral, all in reasonable detail satisfactory to Secured Party.

(c) Inspection of Collateral. Grantor will keep adequate records concerning the Collateral. Grantor will permit Secured Party and all representatives and agents appointed by Secured Party to inspect any of the Collateral and the books and records of or relating to the Collateral in accordance with Section 6.3 of the Credit Agreement.

(d) Payment of Taxes. Grantor (i) will timely pay all property and other taxes, assessments and governmental charges or levies imposed upon the Collateral or any part thereof, (ii) will timely pay all lawful claims which, if unpaid, might become a Lien or charge upon the Collateral or any part thereof, and (iii) will maintain appropriate accruals and reserves for all such liabilities in a timely fashion in accordance with the Accounting Principles. Grantor may, however, delay paying or discharging any such Taxes, assessments, charges, claims or liabilities so long as the validity thereof is contested in good faith by proper proceedings and provided Grantor has set aside on Grantor's books adequate reserves therefor; provided, however, Grantor understands and agrees that in the event of any such delay in payment or discharge and upon Secured Party's written request, Grantor will establish with Secured Party an escrow reasonably acceptable to Secured Party adequate to cover the payment of such Taxes, assessments and governmental charges with interest, costs and penalties and a reasonable additional sum to cover possible costs, interest and penalties (which escrow shall be returned to Grantor upon payment of such taxes, assessments, governmental charges, interests, costs and penalties or disbursed in accordance with the resolution of the contest to the claimant) or furnish Secured Party with an indemnity bond secured by a deposit in cash or other security reasonably acceptable to Secured Party. Notwithstanding any other provision contained in this Subsection, Secured Party may at its discretion exercise its rights under Subsection 6(c) at any time to pay such Taxes, assessments, governmental charges, interest, costs and penalties.

(e) Control Agreements. Grantor will cooperate with Secured Party in obtaining a control agreement in form and substance satisfactory to Secured Party with respect to Collateral consisting of:

(A) deposit accounts;

(B) investment property;

(C) letter-of-credit rights; and

(D) electronic chattel paper.

(f) Condition of Goods. Grantor will maintain, preserve, protect and keep all Collateral which constitutes goods in good condition, repair and working order, ordinary wear and tear excepted, and will cause such Collateral to be used and operated in good and workmanlike manner, in accordance with applicable Laws and in a manner which will not make void or cancelable any insurance with respect to such Collateral. Grantor will promptly make or cause to be made all repairs, replacements and other improvements to or in connection with the Collateral which Secured Party may reasonably request from time to time.

(g) Insurance. Grantor will, at its own expense, maintain such insurance as is required pursuant to the Credit Agreement. If requested, each policy of insurance maintained by Grantor shall name Grantor and Secured Party as insured parties thereunder (without any representation or warranty by or obligation upon Secured Party) as their interests may appear. Grantor will, if requested by Secured Party, deliver to Secured Party original or duplicate policies of such insurance and, as often as Secured Party may reasonably request, a report of a reputable insurance broker with respect to such insurance.

TEXAS FINANCE CODE SECTION 307.052 COLLATERAL PROTECTION INSURANCE NOTICE (IF GRANTOR IS A "DEBTOR" AS DEFINED IN SUCH SECTION): (A) GRANTOR IS REQUIRED TO: (i) KEEP THE COLLATERAL INSURED AGAINST DAMAGE IN THE AMOUNT SECURED PARTY AND THE LOAN DOCUMENTS SPECIFY; (ii) PURCHASE THE INSURANCE FROM AN INSURER THAT IS AUTHORIZED TO DO BUSINESS IN THE STATE OF TEXAS OR AN ELIGIBLE SURPLUS LINES INSURER; AND (iii) NAME SECURED PARTY AS THE PERSON TO BE PAID UNDER THE POLICY OR POLICIES IN THE EVENT OF A LOSS; (B) GRANTOR MUST, IF REQUIRED BY SECURED PARTY OR THE LOAN DOCUMENTS, DELIVER TO SECURED PARTY A COPY OF EACH POLICY AND PROOF OF THE PAYMENT OF PREMIUMS; AND (C) IF GRANTOR FAILS TO MEET ANY REQUIREMENT LISTED IS CLAUSES (A) OR (B), SECURED PARTY MAY OBTAIN COLLATERAL PROTECTION INSURANCE ON BEHALF OF GRANTOR AT GRANTOR'S EXPENSE.

(h) Accounts and General Intangibles. Grantor will, except as otherwise provided in Subsection 6(e), collect, at Grantor's own expense, all amounts due or to become due under each of the accounts and general intangibles. In connection with such collections, Grantor may and, at Secured Party's direction, will take such action not otherwise forbidden by Subsection 5(d) as Grantor or Secured Party may reasonably deem necessary or advisable to enforce collection or performance of each of the accounts and general intangibles. Grantor will also duly perform and cause to be performed all of its obligations with respect to the goods or services, the sale or lease or rendition of which gave rise or will give rise to each account and all of its obligations to be performed under or with respect to the general intangibles. Grantor also covenants and agrees to take any action and/or execute any documents that Secured Party may reasonably request in order to comply with the Federal Assignment of Claims Act, as amended, and similar Laws applicable to Accounts as to which a Governmental Authority is the account debtor.

(i) Chattel Paper, Documents and Instruments. Grantor will take such action as may be requested by Secured Party in order to cause any chattel paper, documents or instruments to be valid and enforceable and will cause all chattel paper to have only one original counterpart. Upon request by Secured Party, Grantor will deliver to Secured Party all originals of chattel paper, documents or instruments and will mark all chattel paper with a legend indicating that such chattel paper is subject to the security interest granted hereunder.

(j) Patents, Trademarks, and Copyrights.

(i) Grantor shall cause fully executed security agreements in the form of Exhibit A (with respect to Patents), Exhibit B (with respect to Trademarks), and Exhibit C (with respect to Copyrights) (or in such other form as Secured Party may agree to) and containing a description of all Collateral consisting of Patents, Trademarks, Copyrights, and Licenses to be received and recorded by the United States Patent and Trademark Office within one month after the execution of this Agreement with respect to United States Patents and Trademarks and by the United States Copyright Office within one month after the execution of this Agreement with respect to United States registered Copyrights, and otherwise as may be required pursuant to the Laws of any other necessary jurisdiction, to protect the validity of and to establish a legal, valid, and perfected security interest in favor of Secured Party in respect of all Collateral consisting of Patents, Trademarks, Copyrights, and Licenses in which a security interest may be perfected by filing, recording, or registration in the United States and its territories and possessions, or in any other necessary jurisdiction, and no further or subsequent filing, refiling, recording, rerecording, registration, or reregistration is necessary (other than such actions as are necessary to perfect the security interest with respect to any Collateral consisting of Patents, Trademarks, Copyrights, and Licenses (or registration or application for registration thereof) acquired or developed after the date hereof).

(ii) Grantor (either itself or through licensees or sublicensees) will not do any act, or omit to do any act, whereby any Patent which is material to the conduct of Grantor's business may become invalidated or dedicated to the public, and shall continue to mark any products covered by a Patent with the relevant patent number as necessary and sufficient to establish and preserve its maximum rights under applicable Laws.

(iii) Grantor (either itself or through licensees or sublicensees) will, for each Trademark material to the conduct of Grantor's business, (A) maintain such Trademark in full force free from any claim of abandonment or invalidity for non-use, (B) maintain the quality of products and services offered under such Trademark, (C) display such Trademark with notice of United States federal or foreign registration to the extent necessary and sufficient to establish and preserve its maximum rights under applicable Law, and (D) not use or permit the use of such Trademark in violation of any third party rights.

(iv) Grantor (either itself or through licensees or sublicensees) will, for each work covered by a Copyright material to the conduct of Grantor's business, continue to publish, reproduce, display, adopt, and distribute the work with appropriate copyright notice as necessary and sufficient to establish and preserve its maximum rights under applicable Laws

(v) In no event shall Grantor, either itself or through any agent, employee, licensee, or designee, file an application for any Patent, Trademark, or Copyright (or for the registration of any Patent, Trademark or Copyright) with the United States Patent and Trademark Office, United States Copyright Office, or any Governmental Authority in any jurisdiction or obtain any new License, unless it promptly informs Secured Party, and, upon request of Secured Party, executes and delivers any and all agreements, instruments, documents, and papers as Secured Party may reasonably request to evidence Secured Party's security interest in such Patent, Trademark, Copyright or License, and Grantor hereby appoints Secured Party as its attorney-in-fact to execute and file such writings for the foregoing purposes.

5. *Negative Covenants*. Grantor will comply with the covenants contained in this Section 5 at all times during the period of time this Agreement is effective, unless Secured Party shall otherwise consent in writing.

(a) Impairment of Security Interest. Grantor will not take or fail to take any action which would in any manner impair the value or enforceability of Secured Party's security interest in any Collateral.

(b) Possession of Collateral. Grantor will not cause or permit the removal of any Collateral from its possession, control and risk of loss, nor will Grantor cause or permit the removal of any Collateral (or records concerning the Collateral) from the address on the first page hereof and the addresses specified on Schedule 1 other than (i) as permitted by this Agreement or the Credit Agreement, (ii) in connection with the possession of any Collateral by Secured Party or by its bailee, or (iii) as necessary in the ordinary course of business. If any Collateral is in the possession of a third party, Grantor will join with Secured Party in notifying the third party of Secured Party's security interest therein and obtaining an acknowledgment from the third party that it is holding the Collateral for the benefit of Secured Party.

(c) Goods. Grantor will not permit any Collateral which constitutes goods to at any time (i) be covered by any document except documents in the possession of the Secured Party, (ii) become so related to, attached to or used in connection with any particular real property so as to become a fixture upon such real property, or (iii) be installed in or affixed to other goods so as to become an accession to such other goods unless such other goods are subject to a perfected first priority security interest under this Agreement.

(d) Compromise of Collateral. Grantor will not adjust, settle, compromise, amend or modify any Collateral, except an adjustment, settlement, compromise, amendment or modification in good faith and in the ordinary course of business; provided, however, this exception shall automatically terminate if an Event of Default exists or upon Secured Party's written request. Grantor shall provide to Secured Party such information concerning (i) any adjustment, settlement, compromise, amendment or modification of any Collateral, and (ii) any claim asserted by any account Grantor for credit, allowance, adjustment, dispute, setoff or counterclaim, as Secured Party may request from time to time.

(e) Financing Statement Filings. Grantor recognizes that financing statements pertaining to the Collateral have been or may be filed in one or more of the following jurisdictions: the jurisdiction of Grantor's organization or other such place as the Grantor may be "located" under the provisions of the Code or where Grantor maintains any Collateral, or has its records concerning any Collateral, as the case may be. Without limitation of any other covenant herein, Grantor will neither cause or permit any change in the location of (i) any Collateral, (ii) any records concerning any Collateral, or (iii) Grantor's principal place of business, or the location of Grantor's chief executive office, as the case may be, to a jurisdiction other than as represented in Subsection 3(g), nor will Grantor change its name or the Organizational Information as represented in Subsection 3(g), unless Grantor shall have notified Secured Party in writing of such change at least thirty (30) days prior to the effective date of such change, shall have complied with the Credit Agreement, and shall have first taken all actions required by Secured Party for the purpose of further perfecting or protecting the security interest in favor of Secured Party in the Collateral and the priority thereof. In any written notice furnished pursuant to this Subsection, Grantor will expressly state that the notice is required by this Agreement and contains facts that may require additional filings of financing statements or other notices for the purpose of continuing perfection of Secured Party's security interest in the Collateral. Grantor irrevocably authorizes Secured Party at any time and from time to time to file in any UCC jurisdiction any initial financing statements and amendments thereto that indicate the Collateral as all assets of Grantor or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article or Chapter 9 of the UCC.

Without limiting Secured Party's rights hereunder, Grantor irrevocably authorizes Secured Party to file financing statements and continuations and amendments thereto under the provisions of the Code (or other applicable Law) as amended from time to time.

(f) Marking of Chattel Paper. Grantor will not create any chattel paper without placing a legend on the chattel paper acceptable to Secured Party indicating that Secured Party has a security interest in the chattel Paper. Grantor will not permit any chattel paper to be electronic chattel paper.

(g) Deposit Accounts, Investment Property. Grantor shall not establish or maintain, or have any interest in, any (i) deposit account not listed on Schedule 9, (ii) commodity account not listed on Schedule 10, or (iii) securities account not listed on Schedule 11.

6. *Rights of Secured Party*. Secured Party shall have the rights contained in this Section 6 at all times during the period of time this Agreement is effective.

(a) Additional Financing Statements Filings. Grantor hereby authorizes Secured Party to file, without the signature or authentication of Grantor, one or more financing or continuation statements, and amendments thereto, relating to the Collateral. Grantor further agrees that a carbon, photographic or other reproduction of this Security Agreement or any financing statement describing any Collateral is sufficient as a financing statement and may be filed in any jurisdiction Secured Party may deem appropriate.

(b) Power of Attorney. Grantor hereby irrevocably appoints Secured Party as Grantor's attorney-in-fact, such power of attorney (together with each other power of attorney granted pursuant to this Agreement or a separate writing) being coupled with an interest, with full authority in the place and stead of Grantor and in the name of Grantor or otherwise, exercisable if an Event of Default exists, to take any action and to execute any instrument which Secured Party may deem necessary or appropriate to accomplish the purposes of this Agreement, including without limitation: (i) to obtain and adjust insurance required by Secured Party hereunder or under any other Loan Document; (ii) to demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of the Collateral; (iii) to receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection with clause (i) or (ii) above; and (iv) to file any claims or take any action or institute any proceedings which Secured Party may deem necessary or appropriate for the collection and/or preservation of the Collateral or otherwise to enforce the rights of Secured Party with respect to the Collateral.

(c) Performance by Secured Party. If Grantor fails to perform any agreement or obligation provided herein, Secured Party may itself perform, or cause performance of, such agreement or obligation, and the expenses of Secured Party incurred in connection therewith shall be a part of the Indebtedness, secured by the Collateral and payable by Grantor on demand.

(d) Grantor's Receipt of Proceeds. In the Event of a Default, all amounts and proceeds (including instruments and writings) received by Grantor in respect of accounts or general intangibles shall be received in trust for the benefit of Secured Party hereunder and, upon request of Secured Party, shall be segregated from other property of Grantor and shall be forthwith delivered to Secured Party in the same form as so received (with any necessary endorsement) and applied to the Indebtedness in such manner as Secured Party deems appropriate in its sole discretion.

(e) Notification of Account Debtors. Secured Party may at its discretion from time to time notify any or all debtors under any accounts or general intangibles (i) of Secured Party's security interest in such accounts or general intangibles and direct such account debtors and other obligors to make payment of all amounts due or to become due to Grantor thereunder directly to Secured Party, and (ii) to verify the accounts or general intangibles with such account debtors and other obligors. Secured Party shall have the right, at the expense of Grantor, to enforce collection of any such accounts or general intangibles and adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as Grantor.

(f) Licenses. For purposes of enabling Secured Party to exercise rights and remedies under this Agreement, Grantor grants to Secured Party an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to Grantor or any other Person, provided, that if the license granted to Secured Party is a sublicense, Grantor shall be solely responsible for, and indemnify Secured Party against, any royalty or other compensation payable to Grantor's licensor or other Person) to use all of Grantor's software, and including in such license reasonable access to all media in which any of the licensed items may be recorded and all related manuals. For the purpose of enabling Secured Party to exercise rights and remedies under this Agreement, Grantor grants to Secured Party an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to Grantor or any other Person) to use, license, or sub-license any of the Collateral consisting of Patents, Trademarks, Copyrights, and Licenses and wherever the same may be located, and including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all software used for the use, compilation, or printout thereof. The use of such license by Secured Party shall be exercised, at the option of Secured Party, if an Event of Default exists.

7. *Events of Default*. Each of the following constitutes an "Event of Default" under this Agreement:

(a) Default Under Loan Documents. The occurrence of an Event of Default (as defined in the Credit Agreement) under this Agreement or any of the other Loan Documents; or

(b) Abandonment. Grantor abandons any Collateral having a value of or greater than $500,000 (either as to a single asset or cumulatively as to separate assets); or

(c) Action by Other Lienholder. The holder of any Lien on the Collateral (without hereby implying the consent of Secured Party to the existence or creation of any such Lien on the Collateral) or any other asset of Grantor having a value of $500,000 or greater declares a default thereunder or institutes foreclosure or other proceedings for the enforcement of its remedies thereunder; or

(d) Search Report; Opinion. Secured Party shall receive at any time following the execution of this Agreement a search report or an opinion of counsel indicating that Secured Party's security interest is not prior to all other Liens or security interests (other than Permitted Liens) reflected in the report or opinion.

8. *Remedies and Related Rights*. If an Event of Default exists, and without limiting any other rights and remedies provided herein, under any of the other Loan Documents or otherwise available to Secured Party, Secured Party may exercise one or more of the rights and remedies provided in this Section.

(a) Remedies. Secured Party may from time to time at its discretion, without limitation and without notice except as expressly provided in any of the Loan Documents:

(i) exercise in respect of the Collateral all the rights and remedies of a secured party under the Code (whether or not the Code applies to the affected Collateral);

(ii) require Grantor to, and Grantor hereby agrees that it will at its expense and upon request of Secured Party, assemble the Collateral as directed by Secured Party and make it available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to both parties;

(iii) reduce its claim to judgment or foreclose or otherwise enforce, in whole or in part, the security interest granted hereunder by any available judicial procedure;

(iv) sell or otherwise dispose of, at its office, on the premises of Grantor or elsewhere, the Collateral, as a unit or in parcels, by public or private proceedings, and by way of one or more contracts (it being agreed that the sale or other disposition of any part of the Collateral shall not exhaust Secured Party's power of sale, but sales or other dispositions may be made from time to time until all of the Collateral has been sold or disposed of or until the Indebtedness has been paid and performed in full), and at any such sale or other disposition it shall not be necessary to exhibit any of the Collateral;

(v) buy the Collateral, or any portion thereof, at any public sale;

(vi) buy the Collateral, or any portion thereof, at any private sale if the Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations;

(vii) apply for the appointment of a receiver for the Collateral, and Grantor hereby consents to any such appointment; and

(viii) at its option, retain the Collateral in satisfaction of the Indebtedness whenever the circumstances are such that Secured Party is entitled to do so under the Code or otherwise, to the full extent permitted by the Code, Secured Party shall be permitted to elect whether such retention shall be in full or partial satisfaction of the Indebtedness.

In the event Secured Party shall elect to sell the Collateral, Secured Party may sell the Collateral without giving any warranties and shall be permitted to specifically disclaim any warranties of title or the like. Further, if Secured Party sells any of the Collateral on credit, Grantor will be credited only with payments actually made by the purchaser, received by Secured Party and applied to the Indebtedness. In the event the purchaser fails to pay for the Collateral, Secured Party may resell the Collateral and Grantor shall be credited with the proceeds of the sale. Grantor agrees that in the event Grantor or any Obligor is entitled to receive any notice under the Code, as it exists in the state governing any such notice, of the sale or other disposition of any Collateral, reasonable notice shall be deemed given if it is given in accordance with the Credit Agreement. Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) Private Sale; Further Approvals.

(i) Grantor recognizes that Secured Party may be unable to effect a public sale of all or any part of the Collateral because of restrictions in applicable Laws and contractual restrictions and that Secured Party may, therefore, determine to make one or more private sales of any such Collateral to a restricted group of purchasers who will be obligated to agree, among other things, to acquire such Collateral subject to applicable Laws and contractual restrictions. Grantor acknowledges that any such private sale may be at prices and other terms less favorable than what might have been obtained at a public sale and, notwithstanding the foregoing, agrees that each such private sale shall be deemed to have been made in a commercially reasonable manner.

(ii) In connection with the exercise by Secured Party of its rights hereunder that effects the foreclosure on, disposition of or use of any Collateral, it may be necessary for Secured Party to obtain the prior consent or approval of Governmental Authorities and other Persons to a transfer or assignment of Collateral.

(iii) Grantor shall, if an Event of Default exists, execute, deliver, and file, and authorizes Secured Party pursuant to the power of attorney herein granted, to execute, deliver, and file on Grantor's behalf and in Grantor's name, all applications, certificates, filings, instruments, and other documents (including without limitation any application for an assignment or transfer of control or ownership) that may be reasonably necessary or appropriate, in Secured Party's opinion, and to obtain such consents, waivers, and approvals under applicable Laws and agreements prior to an Event of Default. Grantor acknowledges that there is no adequate remedy at law for failure by it to comply with the provisions of this Section and that such failure would not be adequately compensable in damages, and therefore agrees that this Section may be specifically enforced.

(c) Application of Proceeds. If any Event of Default exists, Secured Party may at its discretion apply or use any cash held by Secured Party as Collateral, and any cash proceeds received by Secured Party in respect of any sale or other disposition of, collection from, or other realization upon, all or any part of the Collateral as follows:

(i) to the repayment or reimbursement of the costs and expenses (including, without limitation, Attorney Costs) incurred by Secured Party in connection with (A) the administration of the Loan Documents, (B) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, the Collateral, and (C) the exercise or enforcement of any of the rights and remedies of Secured Party hereunder;

(ii) to the payment or other satisfaction of any Liens and other encumbrances upon the Collateral;

(iii) by holding such cash and proceeds as Collateral;

(iv) in accordance with Credit Agreement Section 9.3;

(v) to the payment of any other amounts required by applicable Law (including without limitation, Section 9.615(a)(3) of the Code or any other applicable statutory provision); and

(vi) by delivery to Grantor or any other party lawfully entitled to receive such cash or proceeds whether by direction of a court of competent jurisdiction or otherwise.

(d) Deficiency. In the event that the proceeds of any sale of, collection from, or other realization upon, all or any part of the Collateral by Secured Party are insufficient to pay all amounts to which Secured Party is legally entitled, Grantor and each other Obligor who guaranteed or is otherwise obligated to pay all or any portion of the Indebtedness shall be liable for the deficiency, together with interest thereon as provided in the Loan Documents, to the fullest extent not prohibited by Law.

(e) Non-Judicial Remedies. In granting to Secured Party the power to enforce its rights hereunder without prior judicial process or judicial hearing, Grantor expressly waives, renounces and knowingly relinquishes any legal right which might otherwise require Secured Party to enforce its rights by judicial process. Grantor recognizes and concedes that non-judicial remedies are consistent with the usage of trade, are responsive to commercial necessity and are the result of a bargain at arm's length. Nothing herein is intended to prevent Secured Party or Grantor from resorting to judicial process at either party's option, subject to Grantor's waiver set forth above.

(f) Other Recourse. Grantor waives any right to require Secured Party to proceed against any third party, exhaust any Collateral or other security for the Indebtedness, or to have any third party joined with Grantor in any suit arising out of the Indebtedness or any of the Loan Documents, or pursue any other remedy available to Secured Party. Grantor further waives any and all notice of acceptance of this Agreement and of the creation, modification, rearrangement, renewal or extension of the Indebtedness. Grantor further waives any defense arising by reason of any disability or other defense of any third party or by reason of the cessation from any cause whatsoever of the liability of any third party. Until all of the Indebtedness shall have been paid in full in cash and all obligations of Secured Party to extend credit to any Obligor under the Loan Documents are terminated, Grantor shall have no right of subrogation and Grantor waives the right to enforce any remedy which Secured Party has or may hereafter have against any third party, and waives any benefit of and any right to participate in any other security whatsoever now or hereafter held by Secured Party. Grantor authorizes Secured Party, and without notice or demand and without any reservation of rights against Grantor and without affecting Grantor's liability hereunder or on the Indebtedness to (i) take or hold any other property of any type from any third party as security for the Indebtedness, and exchange, enforce, waive and release any or all of such other property, (ii) apply such other property and direct the order or manner of sale thereof as Secured Party may in its discretion determine, (iii) renew, extend, accelerate, modify, compromise, settle or release any of the Indebtedness or other security for the Indebtedness, (iv) waive, enforce or modify any of the provisions of any of the Loan Documents executed by any third party, and (v) release or substitute any third party.

9. *Intentionally Omitted*.

10. *Miscellaneous*.

(a) Entire Agreement. This Agreement contains the entire agreement of Secured Party and Grantor with respect to the Collateral. If the parties hereto are parties to any prior agreement, either written or oral, relating to the Collateral, the terms of this Agreement shall amend and supersede the terms of such prior agreements as to transactions on or after the effective date of this Agreement, but all security agreements, financing statements, guaranties, other contracts and notices for the benefit of Secured Party shall continue in full force and effect to secure the Indebtedness unless Secured Party specifically releases its rights thereunder by separate release.

(b) Amendment. No modification, consent or amendment of any provision of this Agreement or any of the other Loan Documents shall be valid or effective unless the same is authenticated by the party against whom it is sought to be enforced, except to the extent of amendments specifically permitted by the Code without authentication by the Grantor or Obligor.

(c) Actions by Secured Party. The Lien and other security rights of Secured Party hereunder shall not be impaired by (i) any renewal, extension, increase or modification with respect to the Indebtedness, (ii) any surrender, compromise, release, renewal, extension, exchange or substitution which Secured Party may grant with respect to the Collateral, or (iii) any release or indulgence granted to any Obligor, endorser, guarantor or surety of the Indebtedness. The taking of additional security by Secured Party shall not release or impair the Lien, security interest or other security rights of Secured Party hereunder or affect the obligations of Grantor hereunder.

(d) Waiver by Secured Party. Secured Party may waive any Event of Default without waiving any other prior or subsequent Event of Default. Secured Party may remedy any default without waiving the Event of Default remedied. Neither the failure by Secured Party to exercise, nor the delay by Secured Party in exercising, any right or remedy upon any Event of Default shall be construed as a waiver of such Event of Default or as a waiver of the right to exercise any such right or remedy at a later date. No single or partial exercise by Secured Party of any right or remedy hereunder shall exhaust the same or shall preclude any other or further exercise thereof, and every such right or remedy hereunder may be exercised at any time. No waiver of any provision hereof or consent to any departure by Grantor therefrom shall be effective unless the same shall be in writing and signed by Secured Party and then such waiver or consent shall be effective only in the specific instances, for the purpose for which given and to the extent therein specified. No notice to or demand on Grantor in any case shall of itself entitle Grantor to any other or further notice or demand in similar or other circumstances.

(e) Controlling Law; Venue. This Agreement is executed and delivered as an incident to a lending transaction negotiated and consummated in Collin County, Texas, and shall be governed by and construed in accordance with the Laws of the State of Texas, except to the extent perfection and the effect of perfection or non-perfection of the security interest granted hereunder, in respect of any particular collateral, are governed by the Laws of a jurisdiction other than the State of Texas. Grantor (and Borrower, if Borrower is not the Grantor), for itself and its successors and assigns, hereby irrevocably (i) submits to the nonexclusive jurisdiction of the state and federal courts in Texas, (ii) waives, to the fullest extent not prohibited by Law, any objection that it may now or in the future have to the laying of venue of any litigation arising out of or in connection with any Loan Document brought in the District Court of Collin County, Texas, or in the United States District Court for the Northern District of Texas, Dallas, Division, (iii) waives any objection it may now or hereafter have as to the venue of any such action or proceeding brought in such court or that such court is an inconvenient forum, (iv) agrees that any legal proceeding against any party to any Loan Document arising out of or in connection with any of the Loan Documents may be brought in one of the foregoing courts, and (v) agrees that service of process upon it may be made by certified or registered mail, return receipt requested, at its address specified herein. Nothing herein shall affect the right of Secured Party to serve process in any other manner permitted by Law or shall limit the right of Secured Party to bring any action or proceeding against Grantor (and Borrower, if Borrower is not the Grantor) or with respect to any of Grantor's (or Borrower's, if Borrower is not the Grantor) property in courts in other jurisdictions. The scope of each of the foregoing waivers is intended to be all encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including, without limitation, contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. Grantor (and Borrower, if Borrower is not the Grantor) acknowledges that these waivers are a material inducement to Lender's agreement to enter into agreements and obligations evidenced by the Loan Documents, that Lender has already relied on these waivers and will continue to rely on each of these waivers in related future dealings. The waivers in this Section are irrevocable, meaning that they may not be modified either orally or in writing, and these waivers apply to any future renewals, extensions, amendments, modifications, or replacements in respect of the applicable Loan Document. In connection with any litigation, this Agreement may be filed as a written consent to a trial by the court.

(f) Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be illegal, invalid or unenforceable under present or future Laws, such provision shall be fully severable, shall not impair or invalidate the remainder of this Agreement and the effect thereof shall be confined to the provision held to be illegal, invalid or unenforceable.

(g) No Obligation. Nothing contained herein shall be construed as an obligation on the part of Secured Party to extend or continue to extend credit to Grantor or any other Obligor.

(h) Notices. All notices, requests, demands or other communications required or permitted to be given pursuant to this Agreement shall be delivered in the manner set forth in Section 10.2 of the Credit Agreement to the intended addressee at the address set forth on the first page hereof or to such different address as the addressee shall have designated by written notice sent pursuant to the terms hereof. Either party shall have the right to change its address for notice hereunder to any other location within the continental United States by notice to the other party of such new address at least ten (10) days prior to the effective date of such new address.

(i) Binding Effect and Assignment. This Agreement (i) creates a continuing security interest in the Collateral, (ii) shall be binding on Grantor and the successors and assigns of Grantor, and (iii) shall inure to the benefit of Secured Party and its successors and assigns. Without limiting the generality of the foregoing, Secured Party may pledge, assign or otherwise transfer its interest in the Indebtedness and its rights under this Agreement and any of the other Loan Documents to any other party. Grantor's rights and obligations hereunder may not be assigned or otherwise transferred without the prior written consent of Secured Party.

(j) Termination. It is contemplated by the parties hereto that from time to time there may be no outstanding Indebtedness, but notwithstanding such occurrences, this Agreement shall remain valid and shall be in full force and effect as to subsequent outstanding Indebtedness. Upon (i) the final satisfaction in full of the Indebtedness, (ii) the termination or expiration of each commitment of Secured Party to extend credit to Grantor, (iii) written request for the termination hereof delivered by Grantor to Secured Party, and (iv) written release delivered by Secured Party to Grantor, this Agreement and the security interests created hereby shall terminate. Upon termination of this Agreement and Grantor's written request, Secured Party will, at Grantor's sole cost and expense, return to Grantor such of the Collateral as shall not have been sold or otherwise disposed of or applied pursuant to the terms hereof and execute and deliver to Grantor such documents as Grantor shall reasonably request to evidence such termination. Grantor agrees that to the extent that Secured Party or any holder of Indebtedness receives any payment or benefit and such payment or benefit, or any part thereof, is subsequently invalidated, declared to be fraudulent or preferential, set aside or is required to be repaid to a trustee, receiver, or any other Person under any Debtor Relief Law, common law or equitable cause, then to the extent of such payment or benefit, the Indebtedness or part thereof intended to be satisfied shall be revived and continued in full force and effect as if such payment or benefit had not been made and, further, any such repayment by Secured Party or such holder of Indebtedness, to the extent that Secured Party or such holder of Indebtedness did not directly receive a corresponding cash payment, shall be added to and be additional Indebtedness payable upon demand by Secured Party and secured hereby, and, if the Lien and security interest, any power of attorney, proxy or license hereof shall have been released, such Lien and security interest, power of attorney, proxy and license shall be reinstated with the same effect and priority as on the date of execution hereof all as if no release of such Lien or security interest, power of attorney, proxy or license had ever occurred. This Section 10(j) shall survive the termination of this Agreement, and any satisfaction and discharge of Grantor by virtue of any payment, court order, or Law.

(k) Cumulative Rights. All rights and remedies of Secured Party hereunder are cumulative of each other and of every other right or remedy which Secured Party may otherwise have at law or in equity or under any of the other Loan Documents, and the exercise of one or more of such rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of any other rights or remedies. Further, except as specifically noted as a waiver herein, no provision of this Agreement is intended by the parties to this Agreement to waive any rights, benefits or protection afforded to Secured Party under the Code.

(l) Gender and Number. Within this Agreement, words of any gender shall be held and construed to include the other gender, and words in the singular number shall be held and construed to include the plural and words in the plural number shall be held and construed to include the singular, unless in each instance the context requires otherwise.

(m) Descriptive Headings. The headings in this Agreement are for convenience only and shall in no way enlarge, limit or define the scope or meaning of the various and several provisions hereof.

11. *Consent to Disclose Information*. Borrower authorizes and consents to the disclosure by Secured Party of all information relating to the credit facilities under the Loan Documents to any other party to property pledged as Collateral and upon which a security interest is granted herein, including, but not limited to, information regarding the name of the Borrower and the amount, date and maturity of the credit facilities under the Loan Documents.

12. *Counterparts; Facsimile Documents and Signatures*. This Agreement may be separately executed in any number of counterparts, each of which will be an original, but all of which, taken together, will be deemed to constitute one and the same instrument. For purposes of negotiating and finalizing this Agreement, if this document or any document executed in connection with it is transmitted by facsimile machine, electronic mail or other electronic transmission, it will be treated for all purposes as an original document. Additionally, the signature of any party on this document transmitted by way of a facsimile machine or electronic mail will be considered for all purposes as an original signature. Any such transmitted document will be considered to have the same binding legal effect as an original document. At the request of any party, any faxed or electronically transmitted document will be re-executed by each signatory party in an original form.

13. *Electronic Signatures and Electronic Records*. Each party to this Agreement consents to the use of electronic and/or digital signatures by one or both parties. This Agreement, and any other documents requiring a signature hereunder, may be signed electronically or digitally in a manner specified solely by Prosperity Bank. The parties agree not to deny the legal effect or enforceability of this Agreement solely because (i) the Agreement is entirely in electronic or digital form, including any use of electronically or digitally generated signatures, or (ii) an electronic or digital record was used in the formation of this Agreement or the Agreement was subsequently converted to an electronic or digital record by one or both parties. The parties agree not to object to the admissibility of this Agreement in the form of an electronic or digital record, or a paper copy of an electronic or digital document, or a paper copy of a document bearing an electronic or digital signature, on the grounds that the record or signature is not in its original form or is not the original of the Agreement or the Agreement does not comply with Chapter 26 of the Texas Business and Commerce Code.

14. *Imaging of Documents*. Grantor understands and agrees that (a) Secured Party's document retention policy may involve the electronic imaging of executed Loan Documents and the destruction of the paper originals, and (b) Grantor waives any right that it may have to claim that the imaged copies of the Loan Documents are not originals.

15. **ENTIRE AGREEMENT. THIS WRITTEN AGREEMENT, TOGETHER WITH THE OTHER LOAN DOCUMENTS, REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES HERETO. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

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EXECUTED as of the date first written above.

GRANTOR:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation

By: /s/ Mark W. Haushill
Print Name: Mark W. Haushill
Print Title: Executive Vice President & CFO

SECURED PARTY:

PROSPERITY BANK, a Texas banking association

By: /s/ Todd Coultas
Todd Coultas, Vice President

SECURITY AGREEMENT:
DISCLOSURE SCHEDULES

Schedule 1	Organization Information; Real Property
Schedule 2	Registered Patents
Schedule 3	Patent Applications
Schedule 4	Registered Trademarks
Schedule 5	Trademark Applications
Schedule 6	Registered Copyrights
Schedule 7	Copyright Applications
Schedule 8	Commercial Tort Claims
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Schedule 10	Commodity Accounts
Schedule 11	Securities Accounts
Schedule 12	Letters of Credit
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Schedule 14	Software
Schedule 15	Internet Addresses

Schedule 1	Organization Information; Real Property

Grantor Name: Houston International Insurance Group, Ltd.
Jurisdiction of Organization: Delaware
Entity Type: Corporation
Changes in jurisdiction of organization, name or entity type:
Federal taxpayer identification number: 14-1957288
UCC Filing Office: Delaware
Collateral Locations:

Address	Owner/Lessee	Record Owner
800 Gessner Road Suite 600 Houston, Texas 77024	Houston International Insurance Group, Ltd.	HIIG Service Company
800 Gessner Road Suite 1200 Houston, Texas 77024	Houston International Insurance Group, Ltd.	HIIG Service Company
600 Galleria Parkway Suite 770 Atlanta, Georgia 30339	Houston International Insurance Group, Ltd.	HIIG Service Company
Meadow Brook 100 Suite Two Lake Level 100 Corporate Parkway Birmingham, Alabama 35242	Houston International Insurance Group, Ltd.	HIIG Service Company
1701 Golf Road Tower One, Suite 1112 Rolling Meadows, Illinois 60008	HIIG Service Company	HIIG Service Company

Address	Owner/Lessee	Record Owner
48 Headquarters' Plaza North Tower – 9th Floor Morristown, NJ 07960-6897	Houston International Insurance Group, Ltd.	HIIG Service Company
14911 Quorum Drive Suite 310 Dallas, Texas 75254	HIIG Service Company	HIIG Service Company
1601 Northeast Expressway Valliance Tower, Suite 1305 Oklahoma City, Oklahoma 73118	Houston International Insurance Group, Ltd.	HIIG Service Company
4 High Street Suite 206 North Andover, Massachusetts 01845	HIIG Service Company	HIIG Service Company
401 Edgewater Place Suite 125/130 Wakefield, MA 01880	HIIG Service Company	HIIG Service Company
75 Valley Stream Parkway Suite 250 Malvern, Pennsylvania 19355	HIIG Service Company	HIIG Service Company
8800 E. Raintree Drive Raintree Corporate Center IV, Suite 260 Scottsdale, Arizona 85260	Houston International Insurance Group, Ltd.	HIIG Service Company
111 North Magnolia Avenue 15th Floor, Suite 1525 Orlando, Florida 32801	HIIG Service Company	HIIG Service Company

Address	Owner/Lessee	Record Owner
600 Town Park Lane Ravine Two, Suite 500 Kennesaw, Georgia 30144	HIIG Service Company	HIIG Service Company
547 North Mout Juliet Suite 275 Mount Juliet, Tennessee 37122	HIIG Service Company	HIIG Service Company

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Schedule 2	Registered Patents

Registered Owner	Nature of Grantor's Interest (e.g. owner, licensee)	Registered Patent No.	Issue Date	Country of Issue
None				

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Schedule 3	Patent Applications

Registered Owner	Nature of Grantor's Interest (e.g. owner, licensee)	Serial No.	Filing Date	Country of Issue
None				

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Schedule 4	Registered Trademarks

Registered Owner	Nature of Grantor's Interest (e.g. owner, licensee)	Registered Trademark	Registration No.	Int'l Class Covered	Goods or Services Covered	Date Registered	Country of Registration
HIIG	Owner	Stylized letters "HII"	4,101,286	36	Insurance Services	2.21.2011	USA
Boston Indemnity Company, Inc.	Owner	Letters "BI" stylized	4,306,435	36	Financial Guarantee and Surety	3.19.2013	USA

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Schedule 5	Trademark Applications

Registered Owner	Nature of Grantor's Interest (e.g. owner, licensee)	Trademark Application relates to following Trademark	Serial No.	Int'l Class Covered	Goods or Services Covered	Date of Application	Country of Application
None							

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Schedule 6	Registered Copyrights

Registered Owner	Nature of Grantor's Interest (e.g. owner, licensee)	Serial No.	Copyright	Issue Date	Country of Issue
None					

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Schedule 7	Copyright Applications

Registered Owner	Nature of Grantor's Interest (e.g. owner, licensee)	Registration No.	Copyright	Application Date	Country of Application
None					

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Schedule 8	Commercial Tort Claims

Case Name or Style	Case Number	Court in Which Pending
None		

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Schedule 9	Deposit Accounts

Bank	Branch Name, Street Address	ABA No.	Account No.	Account Name	Account Type
Frost Bank	1700 Post Oak Blvd. Suite 400, Houston TX 77056	114000093	509947795	Houston International Insurance Group Ltd.	Deposit
Frost Bank	1700 Post Oak Blvd. Suite 400, Houston TX 77056	114000093	00000280-710	Houston International Insurance Group Ltd.	Deposit

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Schedule 10	Commodity Accounts

Commodity Intermediary	Street Address	Account Name	Account Number	Commodity Contract Description
None				

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Schedule 11	Securities Accounts

Securities Intermediary	Street Address	Account Name	Account Number	Securities Contract Description
Frost Bank	1700 Post Oak Blvd. Suite 400, Houston TX 77056	Houston International Insurance Group, Ltd.	HA934	Custody
Frost Bank	1700 Post Oak Blvd. Suite 400, Houston TX 77056	Houston International Insurance Group, Ltd	HA93402	Custody

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Schedule 12	Letters of Credit

Bank Issuer	Branch Name, Street Address	Letter of Credit No.	Issue Date	Expiry	Face Amount
None					

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Schedule 13	Pledged Debt

Surplus Loan	20,000,000	Houston Specialty Insurance Company
Intercompany Grid Loan	2,000,000	HIIG Service Company

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Schedule 14		Software		
Software Name	Description	Nature of Debtor's Interest (e.g. owner, licensee)	Licensee Name	Software Escrow Agent
Aviation Old	In house developed client server application for policy administration and claims administration.	Owner	HIIG Service Company	None
BizNet	General Ledger Reporting Software	Licensee	Houston International Insurance Group, Ltd. (HIIG)	None
BondPro	Administration and Billing software for surety division	Licensee	HIIG Service Company	None
CAS Application Services	Accounts Payable system	Owner	HIIG Service Company	None
CAS Reports	Reporting system	Owner	HIIG Service Company	None
Cash-Rex	Web application to claim a cash receipt coming in treasury.	Owner	HIIG Service Company	None
CCR Consolidated Claims Repository	Consolidated Claims Repository	Owner	HIIG Service Company	None

Schedule 14		Software		
Citrix NetScaler	Application Delivery Controller (Load Balancer) and Citrix WebInterface	Licensee	Houston International Insurance Group, Ltd. (HIIG)	None
Citrix Provisioning Services	Creates XenApp virtual desktops	Licensee	Houston International Insurance Group, Ltd. (HIIG)	None
Citrix XenApp	Provides Remote Desktops to end users	Licensee	Houston International Insurance Group, Ltd. (HIIG)	None
Compliance Database - ACDD	Web based application for accounting compliance department for tracking different data calls needed by the states and various agencies.	Owner	HIIG Service Company	None
Compliance Reporting	Report preparation and submission is outsourced. Contracted with IDP and Perr & Knight. Both Internal and External	Owner	HIIG Service Company	None
Crystal Reports	Reporting for General Ledger System	Licensee	Houston International Insurance Group, Ltd. (HIIG)	None
Dashboard - G&G	Client Server application used to collect Policy and Claim data for G&G program.	Owner	HIIG Service Company	None

Schedule 14		Software		
Dashboard - UCA	Client Server application used to collect Policy and Claim data for UCA program.	Owner	HIIG Service Company	None
FSI Track	Unclaimed property tracking system	Licensee	HIIG Service Company	None
Genesis Data Mart	An in house developed data collection and reporting application for the HIIG MGU DIVISION. This application is used by the Program accounting team to validate and prepare data for the GL system	Owner	HIIG Service Company	None
HIIG Global	Customized Policy Administration system	Licensee	GMIC	None
HRCDD	Human Resource Compliance Department Database	Owner	HIIG Service Company	None
ImageRight	Document management and workflow application used by all underwriting departments.	Licensee	Houston International Insurance Group, Ltd. (HIIG)	None
IMS CBP	Policy Administration Software	Licensee	IIC	None

Schedule 14		Software		
IMS Hospitality	Policy Administration Software	Licensee	IIC	None
IMS MPI	Policy Administration Software	Licensee	IIC	None
IMS Pest Control	Policy Administration and Invoicing Software	Licensee	IIC	None
IMS PVI	Policy Administration Software	Licensee	IIC	None
IMS PVI Sentinel	Policy Administration Software	Licensee	IIC	None
IPAS – property, energy, aviation	An in house developed client server application for policy administration and claims administration for various departments.	Owner	HIIG Service Company	None
Kyriba	Treasury Work Station	Licensee	Houston International Insurance Group, Ltd. (HIIG)	None

Schedule 14		Software		
Merge Form Manager	Policy Issuance Software	Owner	HIIG Service Company	None
Netrate	Rating Engine	Licensee	HIIG Service Company	None
Portal for Exterminator Pro	Selectsys Agency portal for Exterminator Pro IMS Platform	Licensee	HIIG Service Company	None
RCT	Risk Control Technology	Licensee	HIIG Service Company	None
Risk Master Business Objects	Business Objects reporting for Riskmaster Accelerator Claims system	Licensee	Houston International Insurance Group, Ltd. (HIIG)	None
Riskmaster Accelerator	HIIG Internal Claims system.	Licensee	Houston International Insurance Group, Ltd. (HIIG)	None
SICSNT Business Objects	Desktop query tool used to run the reports on Old SICSNT database. Not being used anymore. (Retired)	Licensee	Houston International Insurance Group, Ltd. (HIIG) – per it this has been retired	None

Schedule 14		Software		
SICSNT P&C Workstation	Vendor supported client server application that is used to manage Reinsurance.	Licensee	Houston International Insurance Group, Ltd. (HIIG)	None
SOVOS Taxport	Vendor supported system to process year end taxes	Licensee	HIIG Service Company	None
SunGard EAS	Corporate General Ledger and Accounts Payable Software	Licensee	Houston International Insurance Group, Ltd. (HIIG)	None
SunGard iWorks Statutory	Annual and Quarterly statements for the Insurance Companies Software	Licensee	Houston International Insurance Group, Ltd. (HIIG)	None

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Schedule 15	Internet Addresses	
Domain Name	Registered Owner	Domain Registration Provider
BHIAINC.COM	Houston International Insurance Group, Ltd.	GoDaddy
BHUAINC.COM	Houston International Insurance Group, Ltd.	GoDaddy
BHUNDERWRITERS.COM	Houston International Insurance Group, Ltd.	GoDaddy
BUNKERHILLUNDERWRITERS.COM	Houston International Insurance Group, Ltd.	GoDaddy
DELOSINSURANCE.COM	Houston International Insurance Group, Ltd.	GoDaddy
GMICINC.COM	Houston International Insurance Group, Ltd.	GoDaddy
GMINSCO.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIG.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIG.COMPANY	Houston International Insurance Group, Ltd.	GoDaddy
HIIG.INSURE	Houston International Insurance Group, Ltd.	GoDaddy
HIIG.NET	Houston International Insurance Group, Ltd.	GoDaddy
HIIG.US	Houston International Insurance Group, Ltd.	GoDaddy
HIIGAH.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGCONSTRUCTION.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGCREATIVESOLUTIONS.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGCRU.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGCS.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIG-ELITE.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGENERGY.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGEXTERMINATORS.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGHOSPITALITY.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGINSURANCE.COM	Houston International Insurance Group, Ltd.	GoDaddy

Schedule 15		Internet Addresses
HIIGMINING.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGPESTCONTROL.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGPRO.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGPROFESSIONAL.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGSERVICE.COMPANY	Houston International Insurance Group, Ltd.	GoDaddy
HIIGSERVICECOMPANY.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGSURETY.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGUA.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGXTERMINATORPRO.COM	Houston International Insurance Group, Ltd.	GoDaddy
HOUSTONIIG.COM	Houston International Insurance Group, Ltd.	GoDaddy
IMPERIUMINSCO.COM	Houston International Insurance Group, Ltd.	GoDaddy
IMPERIUMINSURANCE.COM	Houston International Insurance Group, Ltd.	GoDaddy
OKLAHOMASPECIALTY.COM	Houston International Insurance Group, Ltd.	GoDaddy
OKSIC.COM	Houston International Insurance Group, Ltd.	GoDaddy
XTERMINATORPRO.COM	Houston International Insurance Group, Ltd.	GoDaddy
BHUINC.COM	Houston International Insurance Group, Ltd.	GoDaddy
CONTROL4UNDERWRITERS.COM	Houston International Insurance Group, Ltd.	GoDaddy
CRUINS.COM	Houston International Insurance Group, Ltd.	Network Solutions
HIIGEXTERMINATORPRO.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGEXTERMINATORPROS.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGLIFE.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGMGUPARTNERS.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGSAFETY.COM	Houston International Insurance Group, Ltd.	GoDaddy

Schedule 15		Internet Addresses
HIIGSPECIALTY.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGUNDERWRITERS.COM	Houston International Insurance Group, Ltd.	GoDaddy
HIIGUW.COM	Houston International Insurance Group, Ltd.	GoDaddy
HOUSTONSPECIALTY.COM	Houston International Insurance Group, Ltd.	GoDaddy
HOUSTONSPECIALTYINS.COM	Houston International Insurance Group, Ltd.	GoDaddy
HOUSTONSPECIALTYINSCO.COM	Houston International Insurance Group, Ltd.	GoDaddy
SWIP.US	Houston International Insurance Group, Ltd.	Network Solutions

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EXHIBIT B
to Security Agreement

TRADEMARK SECURITY AGREEMENT

This TRADEMARK SECURITY AGREEMENT (this "Agreement"), is made as of [▲], 20[▲], by HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware limited partnership ("Grantor"), in favor of PROSPERITY BANK ("Secured Party").

BACKGROUND.

Pursuant to the Credit Agreement dated as of _____ __, 2019 (such agreement, together with all amendments and restatements thereto, the "Credit Agreement"), between Grantor and Secured Party, Secured Party has extended a commitment to make a Term Loan to Borrower;

In connection with the Credit Agreement, Grantor has executed and delivered the Security Agreement dated as of _____ __, 2019 (such agreement, together with all amendments and restatements thereto, the "Security Agreement");

As a condition precedent to the making of the Term Loan under the Credit Agreement, Grantor is required to execute and deliver this Agreement and to grant to Secured Party a continuing security interest in all of the Trademark Collateral (as defined below) to secure all Indebtedness; and

Grantor has duly authorized the execution, delivery and performance of this Agreement.

AGREEMENT.

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, and in order to induce Secured Party to make the Term Loan pursuant to the Credit Agreement and to extend credit to or for the benefit of Grantor, Grantor agrees, for the benefit of Secured Party as follows:

1. Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided (or incorporated by reference) in the Security Agreement.

"Trademark License" means any agreement, now or hereafter in effect, granting to any third party any right to use any Trademark now or hereafter owned by Grantor or which Grantor otherwise has the right to license, or granting to Grantor any right to use any Trademark now or hereafter owned by any third party, and all rights of Grantor under any such agreement.

"Trademarks" means (a) all trademarks, service marks, trade names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, logos, other source or business identifiers, designs and general intangibles of like nature, all registrations and recordings thereof, and all registration and recording applications filed with any governmental authority in connection therewith, and all extensions or renewals thereof, (b) all goodwill associated therewith or symbolized thereby, (c) all other assets, rights and interests that uniquely reflect or embody such goodwill, and (d) all rights to use and/or sell any of the foregoing.

2. Grant of Security Interest. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, to secure all of the Indebtedness, Grantor does hereby mortgage, pledge and hypothecate to Secured Party, and grant to Secured Party a security interest in all of the following property (the "Trademark Collateral"), whether now owned or hereafter acquired by it:

(a) all Trademarks, including all Trademarks referred to in Item A of Attachment 1 attached hereto;

(b) all applications for Trademarks, including each Trademark application referred to in Item B of Attachment 1 attached hereto; and

(c) all Trademark Licenses, including all Trademark Licenses referred to in Item A of Attachment 1 attached hereto; and

(d) all proceeds and products of the foregoing, including, without limitation, insurance payable by reason of loss or damage to the foregoing.

3. Security Agreement. This Agreement has been executed and delivered by Grantor for the purpose of registering the security interest of Secured Party in the Trademark Collateral with the United States Patent and Trademark Office and corresponding offices in the United States and any state thereof. The security interest granted hereby has been granted as a supplement to, and not in limitation of, the security interest granted to Secured Party under the Security Agreement. The Security Agreement (and all rights and remedies of Secured Party thereunder) shall remain in full force and effect in accordance with its terms.

4. Acknowledgment. Grantor does hereby further acknowledge and affirm that the rights and remedies of Secured Party with respect to the security interest in the Trademark Collateral granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein.

5. Loan Document, etc. This Agreement is a Loan Document executed pursuant to the Credit Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions of the Credit Agreement.

6. Counterparts. This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the day and year first above written.

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HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.

By: _____
Print Name: _____
Print Title: _____

PROSPERITY BANK, a Texas state bank

By: _____
Print Name: _____
Print Title: _____

ATTACHMENT I
to Trademark Security Agreement

Item A	Registered Trademarks

Registered Owner	Nature of Grantor's Interest (e.g. owner, licensee)	Registered Trademark	Registration No.	Int'l Class Covered	Goods or Services Covered	Date Registered	Country of Registration
HIIG	Owner	Stylized letters "HII"	4,101,286	36	Insurance Services	2.21.2011	USA
Boston Indemnity Company, Inc.	Owner	Letters "BI" stylized	4,306,435	36	Financial Guarantee and Surety	3.19.2013	USA

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Item B	Trademark Applications

Applicant	Nature of Grantor's Interest (e.g. owner, licensee)	Trademark Application relates to following Trademark	Serial No.	Int'l Class Covered	Goods or Services Covered	Date of Application	Country of Application
None							

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PLEDGE AND SECURITY AGREEMENT

Borrower/ Grantor:	Houston International Insurance Group, Ltd.	Lender/ Secured Party:	Prosperity Bank
Address:	800 Gessner Road, 6th Floor Houston, Texas 77024	Address:	5851 Legacy Circle Suite 1200 Plano, Texas 75024

THIS PLEDGE AND SECURITY AGREEMENT ("Agreement") is dated as of December 11, 2019, by and between Grantor and Lender ("Secured Party").

1. *Definitions*. As used in this Agreement, the following terms shall have the meanings indicated below:

(a) "Code" means the Uniform Commercial Code as in effect in the State of Texas or of any other state having jurisdiction with respect to any of the rights and remedies of Secured Party on the date of this Agreement or as it may hereafter be amended from time to time.

(b) "Collateral" means (i) all personal property of Grantor specifically described on Schedule A attached hereto and made a part hereof, (ii) all certificates, instruments and/or other documents evidencing the foregoing and following, (iii) all renewals, replacements and substitutions of all of the foregoing and following, (iv) all Additional Property (as hereinafter defined), and (v) all PRODUCTS and PROCEEDS of all of the foregoing. The designation of proceeds does not authorize Grantor to sell, transfer or otherwise convey any of the foregoing property. The delivery at any time by Grantor to Secured Party of any property as a pledge to secure payment or performance of any indebtedness or obligation whatsoever shall also constitute a pledge of such property as Collateral hereunder.

(c) "Credit Agreement" means the Credit Agreement dated as of December 11, 2019, between Grantor and Secured Party, together with all amendments and restatements thereto.

(d) "Grantor" means Borrower, a corporation whose federal taxpayer identification number is 14-1957288 and who is organized in the State of Delaware.

(e) "Indebtedness" means (i) all indebtedness, obligations and liabilities of Grantor and each other Obligor to Secured Party of any kind or character, now existing or hereafter arising, whether direct, indirect, related, unrelated, fixed, contingent, liquidated, unliquidated, joint, several or joint and several, and regardless of whether such indebtedness, obligations and liabilities may, prior to their acquisition by Secured Party, be or have been payable to or in favor of a third party and subsequently acquired by Secured Party (it being contemplated that Secured Party may make such acquisitions from third parties), including without limitation all indebtedness, obligations and liabilities of Grantor and each other Obligor to Secured Party now existing or hereafter arising by note, draft, acceptance, guaranty, endorsement, letter of credit, assignment, purchase, overdraft, discount, indemnity agreement or otherwise, (ii) all indebtedness, obligations and liabilities now or hereafter existing of Grantor and each other Obligor under the Credit Agreement and each other Loan Document (including, but not limited to, the Obligations), (iii) all Secured Obligations, (iii) all accrued but unpaid interest (including all interest that would accrue but for the existence of a proceeding under any Debtor Relief Laws) on any of the indebtedness, obligations and liabilities described in this definition of "Indebtedness," (iv) all indebtedness, obligations and liabilities of Grantor and each other Obligor to Secured Party under any documents evidencing, securing, governing and/or pertaining to all or any part of the indebtedness, obligations and liabilities described in this definition of "Indebtedness," (v) all reasonable costs and expenses incurred by Secured Party prior to an Event of Default and all costs and expenses incurred by Secured Party during the existence of an Event of Default in connection with the collection and administration of all or any part of the indebtedness, obligations and liabilities described in this definition of "Indebtedness" or the protection or preservation of, or realization upon, the collateral securing all or any part of such indebtedness, obligations and liabilities, including without limitation all Attorney Costs, and (vi) all renewals, extensions, modifications, restructurings and rearrangements of the indebtedness, obligations and liabilities described in this definition of "Indebtedness."

(f) "Margin Stock" means margin stock as defined in Section 221.3(v) of Regulation U, promulgated by the Board of Governors of the Federal Reserve System, 12 C.F.R. part 221, as amended.

All words and phrases used herein which are expressly defined in Section 1.201, Chapter 8 or Chapter 9 of the Code shall have the meaning provided for therein. Other words and phrases defined elsewhere in the Code shall have the meaning specified therein except to the extent such meaning is inconsistent with a definition in Section 1.201, Chapter 8 or Chapter 9 of the Code. Capitalized terms not otherwise defined herein have the meaning specified in the Credit Agreement.

2. *Security Interest*. As security for the Indebtedness, Grantor, for value received, hereby grants to Secured Party, for it and the benefit of holders of Indebtedness, a continuing security interest in the Collateral.

3. *Additional Property.* Collateral shall also include the following property (collectively, the "Additional Property") which Grantor becomes entitled to receive or shall receive in connection with any other Collateral: (a) any stock certificate, including without limitation, any certificate representing a stock dividend or any certificate in connection with any recapitalization, reclassification, merger, consolidation, conversion, sale of assets, combination of shares, stock split or spin-off; (b) any option, warrant, subscription or right, whether as an addition to or in substitution of any other Collateral; (c) any dividends or distributions of any kind whatsoever, whether distributable in cash, stock or other property; (d) any interest, premium or principal payments; and (e) any conversion or redemption proceeds; provided, however, that if an Event of Default does not exist or result therefrom and subject to the terms of the Credit Agreement, Grantor shall be entitled to all cash dividends (other than dividends representing a return of capital or a liquidating dividend) and all interest paid on the Collateral (except interest paid on any certificate of deposit pledged hereunder) free of the security interest created under this Agreement. All Additional Property received by Grantor shall be received in trust for the benefit of Secured Party. All Additional Property and all certificates or other written instruments or documents evidencing and/or representing the Additional Property that is received by Grantor, together with such instruments of transfer as Secured Party may request, shall immediately be delivered to or deposited with Secured Party and held by Secured Party as Collateral under the terms of this Agreement. If the Additional Property received by Grantor shall be shares of stock, other securities or other Equity Interests, such shares of stock, other securities and other Equity Interests shall be duly endorsed in blank or accompanied by proper instruments of transfer and assignment duly executed in blank with, if requested by Secured Party, signatures guaranteed by a bank or member firm of the New York Stock Exchange, all in form and substance satisfactory to Secured Party. Secured Party shall be deemed to have possession of any Collateral in transit to Secured Party or its agent.

4. *Voting Rights*. As long as no Event of Default exists, any voting rights incident to any stock, other securities or other Equity Interests pledged as Collateral may be exercised by Grantor; provided, however, that subject to Section 18, Grantor will not exercise, or cause to be exercised, any such voting rights, without the prior written consent of Secured Party, if the direct or indirect effect of such vote will result in an Event of Default hereunder.

5. *Maintenance of Collateral*. Other than the exercise of reasonable care to assure the safe custody of any Collateral in Secured Party's possession from time to time, Secured Party does not have any obligation, duty or responsibility with respect to the Collateral. Without limiting the generality of the foregoing, Secured Party shall not have any obligation, duty or responsibility to do any of the following: (a) ascertain any maturities, calls, conversions, exchanges, offers, tenders or similar matters relating to the Collateral or informing Grantor with respect to any such matters; (b) fix, preserve or exercise any right, privilege or option (whether conversion, redemption or otherwise) with respect to the Collateral unless (i) Grantor makes written demand to Secured Party to do so, (ii) such written demand is received by Secured Party in sufficient time to permit Secured Party to take the action demanded in the ordinary course of its business, and (iii) Grantor provides additional collateral, acceptable to Secured Party in its sole discretion; (c) collect any amounts payable in respect of the Collateral (Secured Party being liable to account to Grantor only for what Secured Party may actually receive or collect thereon); (d) sell all or any portion of the Collateral to avoid market loss; (e) sell all or any portion of the Collateral unless and until (i) Grantor makes written demand upon Secured Party to sell the Collateral, and (ii) Grantor provides additional collateral, acceptable to Secured Party in its sole discretion; or (f) hold the Collateral for or on behalf of any party other than Grantor.

6. *Representations and Warranties*. Grantor hereby represents and warrants the following to Secured Party:

(a) Authority. The execution, delivery and performance of this Agreement and all of the other Loan Documents by Grantor have been duly authorized by all necessary corporate action of Grantor.

(b) Accuracy of Information. All information heretofore, herein or hereafter supplied to Secured Party by or on behalf of Grantor with respect to the Collateral is true and correct.

(c) Enforceability. This Agreement and the other Loan Documents constitute legal, valid and binding obligations of Grantor, enforceable in accordance with their respective terms, except as limited as to enforcement of remedies by Debtor Relief Laws or regulatory statutes and regulations and except to the extent specific remedies may generally be limited by equitable principles.

(d) Ownership and Liens. Grantor has good and marketable title to the Collateral free and clear of all Liens or adverse claims, except for Liens expressly permitted by the Credit Agreement. No dispute, right of setoff, counterclaim or defense exists with respect to all or any part of the Collateral. Grantor has not executed any other security agreement currently affecting the Collateral and no financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording office except as may have been executed or filed in favor of Secured Party.

(e) No Conflicts or Consents. Subject to Section 18, neither the ownership, the intended use of the Collateral by Grantor, the grant of the security interest by Grantor to Secured Party herein nor the exercise by Secured Party of its rights or remedies hereunder, will (i) conflict with any provision of (A) any Law, (B) the Organizational Documents of Grantor or any issuer of any Collateral, or (C) any agreement, judgment, license, order or permit applicable to or binding upon Grantor or otherwise affecting the Collateral, or (ii) result in or require the creation of any Lien upon any assets or properties of Grantor or of any Person except as may be expressly contemplated in the Loan Documents; provided that, prior to the exercise by Secured Party of any right or remedy hereunder over all or any part of the Collateral which would require the prior consent of one or more Insurance Regulators (including any change of control of a RIC sufficient to require a filing of a National Association of Insurance Commissioners Form A or equivalent filing or an application for an exemption from the requirement that such form be filed), Secured Party has obtained the prior consent of all such applicable Insurance Regulators required under Law. Except as expressly contemplated herein, in the other Loan Documents and except for the notice of this Agreement and the other Loan Documents which must be delivered to the Virginia Department of Insurance, no consent, approval, authorization or order of, and no notice to or filing with, any Governmental Authority or other Person is required in connection with the grant by Grantor of the security interest herein or the exercise by Secured Party of its rights and remedies hereunder.

(f) Security Interest. Grantor has and will have at all times full right, power and authority to grant a security interest in the Collateral to Secured Party in the manner provided herein, free and clear of any Lien. This Agreement creates a legal, valid and binding security interest in favor of Secured Party in the Collateral. Upon the filing of a financing statement describing the Collateral with the Uniform Commercial Code central filing office of the jurisdiction of Grantor's location and delivery to Secured Party of all certificates evidencing Collateral, the security interest granted by this Agreement shall be perfected and prior to all other Liens.

(g) Location/Identity. Grantor's principal place of business and chief executive office (as those terms are used in the Code), is located at the address set forth herein. Except as specified elsewhere herein, all Collateral and records concerning the Collateral shall be kept at such address. Grantor's exact legal name, as stated in the currently effective Organizational Documents of Grantor as filed with the appropriate authority of Grantor's jurisdiction of organization, entity type, state of organization and federal taxpayer identification number (the "Organizational Information") are as set forth in the definition of "Grantor". Grantor is not organized in more than one jurisdiction. Except as specified herein, the Organizational Information shall not change. During the five years preceding the date of this Agreement or such lesser period as Grantor has been organized, Grantor has not had or operated under any name other than its name as stated in the definition of "Grantor," has not been organized under the Laws of any jurisdiction other than Delaware, has not been organized as any type of entity other than a corporation and the chief executive office of Grantor has not been located at any address other than as set forth on the first page hereof, except as set forth on Schedule C.

(h) Solvency of Grantor. As of the date hereof, and after giving effect to this Agreement and the completion of all other transactions contemplated by Grantor at the time of the execution of this Agreement, Grantor is and will be Solvent. Grantor is not entering into this Agreement or any other Loan Document to which Grantor is a party or its property is subject with the intent of hindering, delaying or defrauding any creditor.

(i) Securities. Any certificates evidencing securities or other Equity Interests pledged as Collateral are valid and genuine and have not been altered. All securities or other Equity Interests pledged as Collateral have been duly authorized and validly issued, are fully paid and non-assessable, and were not issued in violation of the preemptive rights of any party or of any agreement by which Grantor or the issuer thereof is bound. Subject to Section 18, no restrictions or conditions exist with respect to the transfer or voting of any securities or other Equity Interests pledged as Collateral or the admission of Secured Party or any transferee as a holder of any Collateral, other than federal and state securities Laws applicable to issuers of securities generally. No issuer of such securities or other Equity Interests has any outstanding stock rights, rights to subscribe, options, warrants or convertible securities or other Equity Interests outstanding or any other rights outstanding entitling any Person other than Grantor to have issued to such Person capital stock, other securities or other Equity Interests of such issuer. Schedule A contains a complete and correct description of each certificate or other instrument included in or evidencing Collateral. Schedule B is a complete and correct list of the exact name of the issuer of all Collateral described on Schedule A, its jurisdiction of organization, its federal taxpayer identification number, and the authorized, issued and outstanding capital stock and other Equity Interests of such issuer. Grantor's interest in such issuer is as stated on Schedule A. The Organizational Documents and each other governance document of such issuer that is a limited partnership or a limited liability company do not provide that any Equity Interest in such issuer is a security governed by Article 8 of the Code. No Equity Interest in such issuer is evidenced by a certificate or other instrument.

(j) Margin Regulations; Investment Company Act; Public Utility Holding Company Act.

(i) Grantor is not engaged and will not engage, principally or as one of its important activities, in the business of purchasing or carrying Margin Stock or extending credit for the purpose of purchasing or carrying Margin Stock. Following the application of the proceeds of the extensions of credit under the Credit Agreement, not more than 25% of the value of the assets (either of Grantor only or of Grantor and its Subsidiaries on a consolidated basis) will be Margin Stock.

(ii) None of Grantor, any Person controlling Grantor, or any subsidiary (i) is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 2005, or (ii) is or is required to be registered as an "investment company" under the Investment Company Act of 1940.

(k) Patriot Act. All capitalized words and phrases and all defined terms used in the USA Patriot Act of 2001, 107 Public Law 56 (October 26, 2001) (the "Patriot Act") and in other statutes and all orders, rules and regulations of the United States government and its various executive department, agencies and offices related to the subject matter of the Patriot Act, including, but not limited to, Executive Order 13224 effective September 24, 2001, are hereinafter collectively referred to as the "Patriot Rules" and are incorporated into this Agreement. Grantor represents and warrants to Secured Party that neither it nor any of its principals, shareholders, members, partners, or affiliates, as applicable, is a Person named as a Specially Designated National and Blocked Person (as defined in Presidential Executive Order 13224) and that it is not acting, directly or indirectly, for or on behalf of any such Person. Grantor further represents and warrants to Secured Party that Grantor and its principals, shareholders, members, partners, or affiliates, as applicable, are not, directly or indirectly, engaged in, nor facilitating, the transactions contemplated by this Agreement on behalf of any Person named as a Specially Designated National and Blocked Person. Grantor hereby agrees to defend, indemnify and hold harmless Secured Party from and against any and all claims, damages, losses, risks, liabilities, and expenses (including Attorney Costs) arising from or related to any breach of the foregoing representations and warranties.

7. *Affirmative Covenants*. Grantor will comply with the covenants contained in this Section at all times during the period of time this Agreement is effective unless Secured Party shall otherwise consent in writing.

(a) Ownership and Liens. Grantor will maintain good and marketable title to all Collateral free and clear of all Liens or adverse claims, except for the security interest created by this Agreement and the security interests and other encumbrances expressly permitted by the other Loan Documents. Grantor will not permit any dispute, right of setoff, counterclaim or defense to exist with respect to all or any part of the Collateral. Grantor will cause any financing statement or other security instrument with respect to the Collateral to be terminated, except as may exist or as may have been filed in favor of Secured Party or is subordinate to Secured Party. Grantor hereby irrevocably appoints Secured Party as Grantor's attorney-in-fact, such power of attorney being coupled with an interest, with full authority in the place and stead of Grantor and in the name of Grantor or otherwise, for the purpose of terminating any financing statements currently filed with respect to the Collateral. Grantor will defend at its expense Secured Party's right, title and security interest in and to the Collateral against the claims of any third party.

(b) Inspection of Books and Records. Grantor will keep adequate records concerning the Collateral and Grantor will permit Secured Party and all representatives and agents appointed by Secured Party to inspect any of the Collateral and the books and records of or relating to the Collateral in accordance with Section 6.3 of the Credit Agreement.

(c) Adverse Claim. Grantor covenants and agrees to promptly notify Secured Party of any claim, action or proceeding affecting title to the Collateral, or any part thereof, or the security interest created hereunder and, at Grantor's expense, defend Secured Party's security interest in the Collateral against the claims of any third party. Grantor also covenants and agrees to promptly deliver to Secured Party a copy of all written notices received by Grantor with respect to the Collateral, including without limitation, notices received from the issuer of any securities or other Equity Interests pledged hereunder as Collateral.

(d) Further Assurances. Grantor will contemporaneously with the execution hereof and from time to time thereafter at its expense promptly execute and deliver all further instruments and documents and take all further action reasonably necessary or appropriate or that Secured Party may request in order (i) to perfect and protect the security interest created or purported to be created hereby and the first priority of such security interest, (ii) to enable Secured Party to exercise and enforce its rights and remedies hereunder in respect of the Collateral, and (iii) to otherwise effect the purposes of this Agreement, including without limitation: (A) executing (if requested) and filing any financing or continuation statements, or any amendments thereto; (B) obtaining written confirmation from the issuer of any securities, other Equity Interests or other property pledged as Collateral of the pledge of such securities, other Equity Interests or other property, in form and substance satisfactory to Secured Party; (C) cooperating with Secured Party in registering the pledge of any securities, other Equity Interests or other property pledged as Collateral with the issuer of such securities, other Equity Interests or other property; (D) delivering notice of Secured Party's security interest in any securities, other Equity Interests or other property pledged as Collateral to any financial intermediary, clearing corporation or other party required by Secured Party, in form and substance satisfactory to Secured Party; and (E) obtaining written confirmation of the pledge of any securities or other Equity Interests or other property constituting Collateral from any financial intermediary, clearing corporation or other party required by Secured Party, in form and substance satisfactory to Secured Party. If all or any part of the Collateral is securities issued by an agency or department of the United States, Grantor covenants and agrees, at Secured Party's request, to cooperate in registering such securities in Secured Party's name or with Secured Party's account maintained with a Federal Reserve Bank.

8. *Negative Covenants*. Grantor will comply with the covenants contained in this Section at all times during the period of time this Agreement is effective, unless Secured Party shall otherwise consent in writing.

(a) Impairment of Security Interest. Grantor will not take or fail to take any action which would in any manner impair the value or enforceability of Secured Party's security interest in any Collateral.

(b) Dilution of Ownership. As to any securities or other Equity Interests pledged as Collateral, Grantor will not consent to or approve of the issuance of (i) any additional shares of any class of securities or other Equity Interests of such issuer (unless immediately upon issuance additional securities or other Equity Interests are pledged and delivered to Secured Party pursuant to the terms hereof to the extent necessary to give Secured Party a security interest after such issuance in at least the same percentage of such issuer's outstanding securities or other Equity Interests as Secured Party had before such issuance), (ii) any instrument convertible voluntarily by the holder thereof or automatically upon the occurrence or non-occurrence of any event or condition into, or exchangeable for, any such securities or other Equity Interests, or (iii) any warrants, options, contracts or other commitments entitling any third party to purchase or otherwise acquire any such securities or other Equity Interests.

(c) Restrictions on Securities. Grantor will not enter into any agreement creating, or otherwise permit to exist, any restriction or condition upon the transfer, voting or control of any securities or other Equity Interests pledged as Collateral, except as consented to in writing by Secured Party. No issuer of any Collateral which is either a partnership or limited liability company shall amend or restate its Organizational Documents, or other governance document, to provide that any Equity Interest of such issuer is a security governed by Article 8 of the Code or permit any Equity Interest of such issuer to be evidenced by a certificate or other instrument.

(d) Organizational Information. Except as permitted by the Credit Agreement and this Agreement, Grantor shall not permit any Organizational Information to change.

9. *Rights of Secured Party*. Secured Party shall have the rights contained in this Section 9 at all times during the period of time this Agreement is effective.

(a) Power of Attorney. Grantor hereby irrevocably appoints Secured Party as Grantor's attorney-in-fact, such power of attorney being coupled with an interest exercisable in the Event of Default, with full authority in the place and stead of Grantor and in the name of Grantor or otherwise, to, subject to Section 18, take any action and to execute any instrument which Secured Party may from time to time in Secured Party's discretion deem necessary or appropriate to accomplish the purposes of this Agreement, including without limitation, the following action: (i) transfer any securities or other Equity Interests, instruments, documents or certificates pledged as Collateral in the name of Secured Party or its nominee; (ii) use any interest, premium or principal payments, conversion or redemption proceeds or other cash proceeds received in connection with any Collateral to reduce any of the Indebtedness then due and owing under the Loan Documents; (iii) exchange any of the securities or other Equity Interests pledged as Collateral for any other property upon any merger, consolidation, reorganization, recapitalization or other readjustment of the issuer thereof, and, in connection therewith, to deposit and deliver any and all of such securities or other Equity Interests with any committee, depository, transfer agent, registrar or other designated agent upon such terms and conditions as Secured Party may deem necessary or appropriate; (iv) exercise or comply with any conversion, exchange, redemption, subscription or any other right, privilege or option pertaining to any securities or other Equity Interest pledged as Collateral; provided, however, except as provided herein, Secured Party shall not have a duty to exercise or comply with any such right, privilege or option (whether conversion, redemption or otherwise) and shall not be responsible for any delay or failure to do so; and (v) file any claims or take any action or institute any proceedings which Secured Party may deem necessary or appropriate for the collection and/or preservation of the Collateral or otherwise to enforce the rights of Secured Party with respect to the Collateral; provided further, Secured Party may exercise such power of attorney at any time (including when an Event of Default does not exist) if Secured Party reasonably believes that such exercise is necessary to protects its rights under this Agreement. **THE PROXY AND POWER OF ATTORNEY HEREIN GRANTED, AND EACH STOCK POWER AND SIMILAR POWER NOW OR HEREAFTER GRANTED (INCLUDING ANY EVIDENCED BY A SEPARATE WRITING), ARE COUPLED WITH AN INTEREST AND ARE IRREVOCABLE PRIOR TO FINAL INDEFEASIBLE PAYMENT IN FULL OF THE INDEBTEDNESS AND THE TERMINATION OF ALL COMMITMENTS OF SECURED PARTY TO EXTEND CREDIT PURSUANT TO THE LOAN DOCUMENTS.**

(b) Performance by Secured Party. If Grantor fails to perform any agreement or obligation provided herein, Secured Party may itself perform, or cause performance of, such agreement or obligation, and the expenses of Secured Party incurred in connection therewith shall be a part of the Indebtedness, secured by the Collateral and payable by Grantor on demand.

Notwithstanding any other provision herein to the contrary, Secured Party does not have any duty to exercise or continue to exercise any of the foregoing rights and shall not be responsible for any failure to do so or for any delay in doing so.

10. *Events of Default*. Each of the following constitutes an "Event of Default" under this Agreement:

(a) Default Under Loan Documents. The existence of an Event of Default (as defined in the Credit Agreement) under this Agreement or any of the other Loan Documents; or

(b) Execution on Collateral. The Collateral or any portion thereof is taken on execution or other process of law in any action against Grantor or any attachment, sequestration or similar writ is levied upon any Collateral; or

(c) Abandonment. Grantor abandons the Collateral or any portion thereof; or

(d) Dilution of Ownership. The issuer of any securities or other Equity Interests constituting Collateral hereafter issues any shares of any class of capital stock or other Equity Interests (unless promptly upon issuance, additional securities or other Equity Interests are pledged and delivered to Secured Party pursuant to the terms hereof to the extent necessary to give Secured Party a security interest after such issuance in at least the same percentage of such issuer's outstanding securities or other Equity Interests as Secured Party had before such issuance) or any options, warrants or other rights to purchase any such capital stock or other Equity Interests;

(e) Search Report; Opinion. Secured Party shall receive at any time following the execution of this Agreement a search report or opinion of counsel indicating that Secured Party's security interest is not prior to all other Liens (other than Permitted Liens), security interests or other interests reflected in the report or opinion.

11. *Remedies and Related Rights*. If an Event of Default exists, and without limiting any other rights and remedies provided herein, under any of the other Loan Documents or otherwise available to Secured Party, Secured Party may, subject to Section 18, exercise one or more of the rights and remedies provided in this Section 11.

(a) Remedies. Secured Party may from time to time at its discretion, without limitation and without notice:

(i) exercise in respect of the Collateral all the rights and remedies of a secured party under the Code (whether or not the Code applies to the affected Collateral);

(ii) reduce its claim to judgment or foreclose or otherwise enforce, in whole or in part, the security interest granted hereunder by any available judicial procedure;

(iii) sell or otherwise dispose of, at its office, on the premises of Grantor or elsewhere, the Collateral, as a unit or in parcels, by public or private proceedings, and by way of one or more contracts (it being agreed that the sale or other disposition of any part of the Collateral shall not exhaust Secured Party's power of sale, but sales or other dispositions may be made from time to time until all of the Collateral has been sold or disposed of or until the Indebtedness has been paid and performed in full), and at any such sale or other disposition it shall not be necessary to exhibit any of the Collateral;

(iv) buy the Collateral, or any portion thereof, at any public sale;

(v) buy the Collateral, or any portion thereof, at any private sale if the Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations;

(vi) apply for the appointment of a receiver for the Collateral, and Grantor hereby consents to any such appointment; and

(vii) at its option, retain the Collateral in satisfaction of the Indebtedness whenever the circumstances are such that Secured Party is entitled to do so under the Code or otherwise, to the full extent permitted by the Code, Secured Party shall be permitted to elect whether such retention shall be in full or partial satisfaction of the Indebtedness.

In the event Secured Party shall elect to sell the Collateral, Secured Party may sell the Collateral without giving any warranties as and shall be permitted to specifically disclaim any warranties of title or the like. Further, if Secured Party sells any of the Collateral on credit, Grantor will be credited only with payments actually made by the purchaser, received by Secured Party and applied to the Indebtedness. In the event any purchaser fails to pay for the Collateral, Secured Party may resell the Collateral and Grantor shall be credited with the proceeds of the sale actually received by Secured Party and applied to the Indebtedness. Grantor agrees that in the event Grantor or any Obligor is entitled to receive any notice under the Code, as it exists in the state governing any such notice, of the sale or other disposition of any Collateral, reasonable notice shall be deemed given when such notice is delivered in accordance with the Credit Agreement ten (10) days prior to the date of any public sale, or after which a private sale, of any of such Collateral is to be held. Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Grantor further acknowledges and agrees that the redemption by Secured Party of any certificate of deposit pledged as Collateral shall be deemed to be a commercially reasonable disposition under Section 9.610 of the Code.

(b) Private Sale of Securities; Further Approvals.

(i) Grantor recognizes that Secured Party may be unable to effect a public sale of all or any part of the securities or other Equity Interests pledged as Collateral because of restrictions in applicable securities Laws, insurance Laws and contractual restrictions and that Secured Party may, therefore, determine to make one or more private sales of any such securities or other Equity Interests to a restricted group of purchasers who will be obligated to agree, among other things, to acquire such securities or other Equity Interests for their own account, for investment and not with a view to the distribution or resale thereof. Grantor acknowledges that each such private sale may be at prices and other terms less favorable than what might have been obtained at a public sale and, notwithstanding the foregoing, agrees that each such private sale shall be deemed to have been made in a commercially reasonable manner and that Secured Party shall have no obligation to delay the sale of any such securities or other Equity Interests for the period of time necessary to permit the issuer to register such securities or other Equity Interests for public sale under any securities Laws. Grantor further acknowledges and agrees that any offer to sell such securities or other Equity Interests which has been made privately in the manner described above to not less than five (5) bona fide offerees shall be deemed to involve a "public sale" for the purposes of Chapter 9 of the Code, notwithstanding that such sale may not constitute a "public offering" under any securities Laws and that Secured Party may, in such event, bid for the purchase of such securities or other Equity Interests.

(ii) In connection with the exercise by Secured Party of its rights hereunder that effects the disposition of or use of any Collateral (including, without limitation, the exercise of rights and remedies as set forth in Section 18), it may be necessary to obtain the prior consent or approval of Governmental Authorities and other Persons to a transfer or assignment of Collateral, including, without limitation, any Governmental Authorities regulating any issuer of Collateral or Grantor and their respective Affiliates. Grantor agrees, if an Event of Default exists, to execute, deliver, and file, and hereby appoints Secured Party as its attorney-in-fact, to execute, deliver, and file on Grantor's behalf and in Grantor's name, all applications, certificates, filings, instruments, and other documents (including without limitation any application for an assignment or transfer of control or ownership) that may be necessary or appropriate, in Secured Party's opinion, and to obtain such consents, waivers, or approvals under applicable Laws and agreements prior to an Event of Default. Grantor further agrees to use its best efforts to obtain the foregoing consents, waivers, and approvals, including receipt of consents, waivers, and approvals under applicable Laws and agreements prior to an Event of Default. Grantor acknowledges that there is no adequate remedy at law for failure by it to comply with the provisions of this Section and that such failure would not be adequately compensable in damages, and therefore agrees that this Section may be specifically enforced.

(c) Application of Proceeds. If any Event of Default exists, Secured Party may at its discretion apply or use any cash held by Secured Party as Collateral, and any cash proceeds received by Secured Party in respect of any sale or other disposition of, collection from, or other realization upon, all or any part of the Collateral as follows:

(i) to the repayment or reimbursement of the costs and expenses (including, without limitation, Attorney Costs) incurred by Secured Party in connection with (A) the administration of the Loan Documents, (B) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, the Collateral, and (C) the exercise or enforcement of any of the rights and remedies of Secured Party hereunder;

(ii) to the payment or other satisfaction of any Liens and other encumbrances upon the Collateral;

(iii) by holding such cash and proceeds as Collateral;

(iv) in accordance with Credit Agreement Section 9.3;

(v) to the payment of any other amounts required by applicable Law (including without limitation, Section 9.615(a)(3) of the Code or any other applicable statutory provision); and

(vi) by delivery to Grantor or any other party lawfully entitled to receive such cash or proceeds whether by direction of a court of competent jurisdiction or otherwise.

(d) Deficiency. In the event that the proceeds of any sale of, collection from, or other realization upon, all or any part of the Collateral by Secured Party are insufficient to pay all amounts to which Secured Party is legally entitled, Grantor and each other Obligor and any Person who guaranteed or is otherwise obligated to pay all or any portion of the Indebtedness shall be liable for the deficiency, together with interest thereon as provided in the Loan Documents, to the full extent not prohibited by the Code.

(e) Non-Judicial Remedies. In granting to Secured Party the power to enforce its rights hereunder without prior judicial process or judicial hearing, Grantor expressly waives, renounces and knowingly relinquishes any legal right which might otherwise require Secured Party to enforce its rights by judicial process. Grantor recognizes and concedes that non-judicial remedies are consistent with the usage of trade, are responsive to commercial necessity and are the result of a bargain at arm's length. Nothing herein is intended to prevent Secured Party or Grantor from resorting to judicial process at either party's option, subject to Grantor's waiver set forth above.

(f) Other Recourse. Grantor waives any right to require Secured Party to proceed against any third party, exhaust any Collateral or other security for the Indebtedness, or to have any third party joined with Grantor in any suit arising out of the Indebtedness or any of the Loan Documents, or pursue any other remedy available to Secured Party. Grantor further waives any and all notice of acceptance of this Agreement and of the creation, modification, rearrangement, renewal or extension of the Indebtedness. Grantor further waives any defense arising by reason of any disability or other defense of any third party or by reason of the cessation from any cause whatsoever of the liability of any third party. Until all of the Indebtedness shall have been finally paid in full in cash and all obligations of Secured Party to extend credit to or for the benefit of any Obligor pursuant to the Loan Documents are terminated, Grantor shall have no right of subrogation and Grantor waives the right to enforce any remedy which Secured Party has or may hereafter have against any third party, and waives any benefit of and any right to participate in any other security whatsoever now or hereafter held by Secured Party. Grantor authorizes Secured Party, and without notice or demand and without any reservation of rights against Grantor and without affecting Grantor's liability hereunder or on the Indebtedness, to (i) take or hold any other property of any type from any third party as security for the Indebtedness, and exchange, enforce, waive and release any or all of such other property, (ii) apply such other property and direct the order or manner of sale thereof as Secured Party may in its discretion determine, (iii) renew, extend, accelerate, modify, compromise, settle or release any of the Indebtedness or other security for the Indebtedness, (iv) waive, enforce or modify any of the provisions of any of the Loan Documents executed by any third party, and (v) release or substitute any third party.

(g) Voting Rights. If an Event of Default exists, Grantor will not exercise any voting rights with respect to securities or other Equity Interests pledged as Collateral. Grantor hereby irrevocably appoints Secured Party as Grantor's attorney-in-fact (such power of attorney being coupled with an interest and exercisable if an Event of Default exists) and proxy to exercise any voting rights with respect to Grantor's securities and other Equity Interests, subject to Section 18.

(h) Dividend Rights and Interest Payments. If an Event of Default exists:

(i) all rights of Grantor to receive and retain the dividends and interest payments which it would otherwise be authorized to receive and retain pursuant to Section 3 shall automatically cease, and all such rights shall thereupon become vested with Secured Party which shall thereafter have the sole right to receive, hold and apply as Collateral such dividends and interest payments; and

(ii) all dividend and interest payments which are received by Grantor contrary to the provisions of clause (i) of this Section 11(h) shall be received in trust for the benefit of Secured Party, shall be segregated from other funds of Grantor, and shall be forthwith paid over to Secured Party in the exact form received (properly endorsed or assigned if requested by Secured Party), to be held by Secured Party as Collateral.

12. *Intentionally Omitted.*

13. *Miscellaneous*.

(a) Entire Agreement. This Agreement and the other Loan Documents contain the entire agreement of Secured Party and Grantor with respect to the Collateral. If the parties hereto are parties to any prior agreement, either written or oral, relating to the Collateral, the terms of this Agreement shall amend and supersede the terms of such prior agreements as to transactions on or after the effective date of this Agreement, but all security agreements, financing statements, guaranties, other contracts and notices for the benefit of Secured Party shall continue in full force and effect to secure the Indebtedness unless Secured Party specifically releases its rights thereunder by separate release.

(b) Amendment. No modification, consent or amendment of any provision of this Agreement or any of the other Loan Documents shall be valid or effective unless the same is in writing and authenticated by the party against whom it is sought to be enforced, except to the extent of amendments specifically permitted by the Code without authentication by the Grantor or any other Obligor.

(c) Actions by Secured Party. The Lien and other rights of Secured Party hereunder shall not be impaired by (i) any renewal, extension, increase or modification with respect to the Indebtedness, (ii) any surrender, compromise, release, renewal, extension, exchange or substitution which Secured Party may grant with respect to the Collateral, or (iii) any release or indulgence granted to any endorser, guarantor or surety of the Indebtedness. The taking of additional security by Secured Party shall not release or impair the Lien or other rights of Secured Party hereunder or affect the obligations of Grantor hereunder.

(d) Waiver by Secured Party. Secured Party may waive any Event of Default without waiving any other prior or subsequent Event of Default. Secured Party may remedy any default without waiving the Event of Default remedied. Subject to applicable Statute of Limitations laws, neither the failure by Secured Party to exercise, nor the delay by Secured Party in exercising, any right or remedy upon any Event of Default shall be construed as a waiver of such Event of Default or as a waiver of the right to exercise any such right or remedy at a later date. No single or partial exercise by Secured Party of any right or remedy hereunder shall exhaust the same or shall preclude any other or further exercise thereof, and every such right or remedy hereunder may be exercised at any time. No waiver of any provision hereof or consent to any departure by Grantor therefrom shall be effective unless the same shall be in writing and signed by Secured Party and then such waiver or consent shall be effective only in the specific instances, for the purpose for which given and to the extent therein specified. No notice to or demand on Grantor in any case shall of itself entitle Grantor to any other or further notice or demand in similar or other circumstances.

(e) Transfer Restriction Waiver. To the extent not prohibited by Applicable Law, Grantor hereby agrees that any provision of any Organizational Documents of any issuer of Collateral, any designation of rights or similar agreement with respect to any Equity Interest of such issuer, any voting or similar equityholder agreement with respect to such issuer or any other organization or governance document with respect to such issuer, any agreement related to any debt issued by such issuer, or any Applicable Law that in any manner restricts, prohibits or provides conditions to (i) the grant of a Lien on any security, Equity Interest of or any interest in, or any debt issued by, such issuer, (ii) any transfer of any security, Equity Interest of or any interest in, or any debt issued by, such issuer, (iii) any change in management or control of such issuer, or (iv) any other exercise of any rights of Secured Party pursuant to this Agreement, any other Loan Document or Law shall not apply to (A) the grant of any Lien hereunder, (B) the execution, delivery and performance of this Agreement by Grantor, (C) the foreclosure or other realization upon any interest in any Collateral, (D) the admission of Secured Party or its assignee or any other holder of any Collateral as an equityholder of such issuer and the exercise of all rights of an equityholder of such issuer, or (E) the exercise of all rights of a holder of debt of such issuer. Furthermore, Grantor agrees that it will not permit any amendment to or restatement of any Organizational Documents of any issuer of Collateral, any designation of rights or similar agreement with respect to any Equity Interest of such issuer, any voting or similar equityholder agreement with respect to such issuer, any other organization or governance document with respect to such issuer, or any agreement related to debt of such issuer, in any manner to adversely affect Secured Party's ability to foreclose or otherwise realize on any Collateral or which conflicts with the provisions of this Section without the prior written consent of Secured Party.

(f) Controlling Law; Venue. This Agreement is executed and delivered as an incident to a lending transaction negotiated and consummated in Harris County, Texas, and shall be governed by and construed in accordance with the Laws of the State of Texas, except to the extent that perfection and the effect of perfection or non-perfection of the security interest granted hereunder, in respect of any particular Collateral, are governed by the Laws of a jurisdiction other than the State of Texas. Grantor, for itself and its successors and assigns, hereby irrevocably (i) submits to the nonexclusive jurisdiction of the state and federal courts in Texas, (ii) waives, to the fullest extent not prohibited by Law, any objection that it may now or in the future have to the laying of venue of any litigation arising out of or in connection with any Loan Document brought in the District Court of Collin County, Texas, or in the United States District Court for the Southern District of Texas, Houston Division, (iii) waives any objection it may now or hereafter have as to the venue of any such action or proceeding brought in such court or that such court is an inconvenient forum, (iv) agrees that any legal proceeding against any party to any Loan Document arising out of or in connection with any of the Loan Documents may be brought in one of the foregoing courts, and (v) agrees that service of process upon it may be made by certified or registered mail, return receipt requested, at its address specified herein. Nothing herein shall affect the right of Secured Party to serve process in any other manner permitted by Law or shall limit the right of Secured Party to bring any action or proceeding against Grantor or with respect to any of Grantor's property in courts in other jurisdictions. The scope of each of the foregoing waivers is intended to be all encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including, without limitation, contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. Grantor acknowledges that these waivers are a material inducement to Secured Party's agreement to enter into agreements and obligations evidenced by the Loan Documents, that Secured Party has already relied on these waivers and will continue to rely on each of these waivers in related future dealings. The waivers in this Section are irrevocable, meaning that they may not be modified either orally or in writing, and these waivers apply to any future renewals, extensions, amendments, modifications, or replacements in respect of the applicable Loan Document. In connection with any litigation, this Agreement may be filed as a written consent to a trial by the court.

(g) Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be illegal, invalid or unenforceable under present or future Laws, such provision shall be fully severable, shall not impair or invalidate the remainder of this Agreement and the effect thereof shall be confined to the provision held to be illegal, invalid or unenforceable.

(h) No Obligation. Nothing contained herein shall be construed as an obligation on the part of Secured Party to extend or continue to extend credit to or for the benefit of any Obligor.

(i) Notices. All notices, requests, demands or other communications required or permitted to be given pursuant to this Agreement shall be delivered in the manner set forth in Section 10.2 of the Credit Agreement to the intended addressee at the address set forth on the first page hereof or to such different address as the addressee shall have designated by written notice sent pursuant to the terms hereof. Either party shall have the right to change its address for notice hereunder to any other location within the continental United States by notice to the other party of such new address at least ten (10) days' prior to the effective date of such new address.

(j) Binding Effect and Assignment. This Agreement (i) creates a continuing security interest in the Collateral, (ii) shall be binding on Grantor and the successors and assigns of Grantor, and (iii) shall inure to the benefit of Secured Party and its successors and assigns. Without limiting the generality of the foregoing, Secured Party may pledge, assign or otherwise transfer the Indebtedness and its rights under this Agreement and any of the other Loan Documents to any other party. Grantor's rights and obligations hereunder may not be assigned or otherwise transferred without the prior written consent of Secured Party.

(k) Termination. It is contemplated by the parties hereto that from time to time there may be no outstanding Indebtedness, but notwithstanding such occurrences, this Agreement shall remain valid and shall be in full force and effect as to subsequent outstanding Indebtedness. Upon (i) the indefeasible satisfaction in full of the Indebtedness, (ii) the termination or expiration of each commitment of Secured Party to extend credit to or for the benefit of each Obligor, (iii) written request for the termination hereof delivered by Grantor to Secured Party, and (iv) written release delivered by Secured Party to Grantor, this Agreement and the security interests created hereby shall terminate. Upon termination of this Agreement and Grantor's written request, Secured Party will, at Grantor's sole cost and expense, return to Grantor such of the Collateral as shall not have been sold or otherwise disposed of or applied pursuant to the terms hereof and execute and deliver to Grantor such documents as Grantor shall reasonably request to evidence such termination. Grantor agrees that to the extent that Secured Party receives any payment or benefit and such payment or benefit, or any part thereof, is subsequently invalidated, declared to be fraudulent or preferential, set aside or is required to be repaid to a trustee, receiver, or any other Person under any Debtor Relief Law, common law or equitable cause, then to the extent of such payment or benefit, the Indebtedness or part thereof intended to be satisfied shall be revived and continued in full force and effect as if such payment or benefit had not been made and, further, any such repayment by Secured Party, to the extent that Secured Party did not directly receive a corresponding cash payment, shall be added to and be additional Indebtedness payable upon demand by Secured Party and secured hereby, and, if the Lien and security interest, any power of attorney, proxy or license hereof shall have been released, such Lien and security interest, power of attorney, proxy and license shall be reinstated with the same effect and priority as on the date of execution hereof all as if no release of such Lien or security interest, power of attorney, proxy or license had ever occurred. This Section 13(k) shall survive the termination of this Agreement, and any satisfaction and discharge of each Debtor by virtue of any payment, court order, or Law.

(l) Cumulative Rights. All rights and remedies of Secured Party hereunder are cumulative of each other and of every other right or remedy which Secured Party may otherwise have at law or in equity or under any of the other Loan Documents, and the exercise of one or more of such rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of any other rights or remedies. Further, except as specifically noted as a waiver herein, no provision of this Agreement is intended by the parties to this Agreement to waive any rights, benefits or protection afforded to Secured Party under the Code.

(m) Gender and Number. Within this Agreement, words of any gender shall be held and construed to include the other gender, and words in the singular number shall be held and construed to include the plural and words in the plural number shall be held and construed to include the singular, unless in each instance the context requires otherwise.

(n) Descriptive Headings. The headings in this Agreement are for convenience only and shall in no way enlarge, limit or define the scope or meaning of the various and several provisions hereof.

14. *Financing Statement Filings*. Grantor recognizes that financing statements pertaining to the Collateral have been or may be filed in one or more of the following jurisdictions: the location of Grantor's principal residence, the location of Grantor's place of business, the location of Grantor's chief executive office, or other such place as the Grantor may be "located" under the provisions of the Code; where Grantor maintains any Collateral, or has its records concerning any Collateral, as the case may be. Without limitation of any other covenant herein, Grantor will neither cause or permit any change in the location of (a) any Collateral, (b) any records concerning any Collateral, or (c) Grantor's principal residence, the location of Grantor's place of business, or the location of Grantor's chief executive office, as the case may be, to a jurisdiction other than as represented in Section 6(g), nor will Grantor change its name or the Organizational Information as represented in Section 6(g), unless Grantor shall have notified Secured Party in writing of such change at least thirty (30) days prior to the effective date of such change, shall have complied with the Credit Agreement and shall have first taken all action required by Secured Party for the purpose of further perfecting or protecting the security interest in favor of Secured Party in the Collateral. In any written notice furnished pursuant to this Section 14, Grantor will expressly state that the notice is required by this Agreement and contains facts that may require additional filings of financing statements, amendments or other notices for the purpose of continuing perfection of Secured Party's security interest in the Collateral.

Without limiting Secured Party's rights hereunder, Grantor authorizes Secured Party to file financing statements or amendments thereto under the provisions of the Code as amended from time to time.

15. *Consent to Disclose Information*. Grantor authorizes and consents to the disclosure by Secured Party of all information relating to the Loan Documents to any other party to each account pledged as Collateral and upon which a security interest is granted herein, including, but not limited to, information regarding the name of Obligors and the amount, date and maturity of the credit facilities under the Loan Documents.

16. *Counterparts; Facsimile Documents and Signatures*. This Agreement may be separately executed in any number of counterparts, each of which will be an original, but all of which, taken together, will be deemed to constitute one and the same instrument. For purposes of negotiating and finalizing this Agreement, if this document or any document executed in connection with it is transmitted by facsimile machine, electronic mail or other electronic transmission, it will be treated for all purposes as an original document. Additionally, the signature of any party on this document transmitted by way of a facsimile machine or electronic mail will be considered for all purposes as an original signature. Any such transmitted document will be considered to have the same binding legal effect as an original document. At the request of any party, any faxed or electronically transmitted document will be re-executed by each signatory party in an original form.

17. *Imaging of Documents*. Grantor (a) understands and agrees that Secured Party's document retention policy may involve the electronic imaging of executed Loan Documents and the destruction of the paper originals, and (b) waives any right that it may have to claim that the imaged copies of the Loan Documents are not originals.

18. *Electronic Signatures and Electronic Records*. Each party to this Agreement consents to the use of electronic and/or digital signatures by one or both parties. This Agreement, and any other documents requiring a signature hereunder, may be signed electronically or digitally in a manner specified solely by Prosperity Bank. The parties agree not to deny the legal effect or enforceability of this Agreement solely because (i) the Agreement is entirely in electronic or digital form, including any use of electronically or digitally generated signatures, or (ii) an electronic or digital record was used in the formation of this Agreement or the Agreement was subsequently converted to an electronic or digital record by one or both parties. The parties agree not to object to the admissibility of this Agreement in the form of an electronic or digital record, or a paper copy of an electronic or digital document, or a paper copy of a document bearing an electronic or digital signature, on the grounds that the record or signature is not in its original form or is not the original of the Agreement or the Agreement does not comply with Chapter 26 of the Texas Business and Commerce Code.

19. *Limitation of Remedies*. Notwithstanding anything to the contrary contained herein or in any of the other Loan Documents, Secured Party may not exercise any right or remedy hereunder over all or any part of the Collateral which results in a change of control of any RIC sufficient to require either the filing of (a) a National Association of Insurance Commissioners Form A or (b) an application for an exemption from the requirement to file such a form with the applicable Insurance Regulator unless Secured Party has first obtained the consent of all applicable Insurance Regulators required under Law.

20. ***ENTIRE AGREEMENT*. THIS WRITTEN AGREEMENT, TOGETHER WITH THE OTHER LOAN DOCUMENTS, REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES HERETO. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

EXECUTED as of the date first written above.

GRANTOR:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation

By: /s/ Mark W. Haushill
Print Name: Mark W. Haushill
Print Title: Executive Vice President & CFO

SECURED PARTY:

PROSPERITY BANK, a Texas banking association

By: /s/ Todd Coultas
Todd Coultas, Vice President

Pledge Agreement

Index of Schedules

SCHEDULE A
TO
PLEDGE AND SECURITY AGREEMENT
DATED DECEMBER 11, 2019,
BY AND BETWEEN
PROSPERITY BANK
AND
HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.

The following property is a part of the Collateral as defined in Section 1(b):

A. All capital stock and other Equity Interests of HIIG Service Company, a Delaware corporation now or hereafter owned beneficially or of record by Grantor.

Capital stock issued and outstanding on the date of the Agreement:

1,000 shares of common stock of HIIG Service Company, a Delaware corporation, as evidenced by certificate no. 3 issued in the name of Grantor.

Such common stock represents all of the authorized, issued and outstanding shares of stock of HIIG Service Company, a Delaware corporation.

B. All capital stock and other Equity Interests of HIIG Underwriters Agency, Inc., a Texas corporation now or hereafter owned beneficially or of record by Grantor.

Capital stock issued and outstanding on the date of the Agreement:

1,000 shares of common stock of HIIG Underwriters Agency, Inc., a Texas corporation, as evidenced by certificate no. 2 issued in the name of Grantor.

As of the date of this Agreement, such common stock represents all of the authorized, issued and outstanding shares of common stock of HIIG Underwriters Agency, Inc., a Texas corporation.

C. All capital stock and other Equity Interests of Houston Specialty Insurance Company, a Delaware corporation, now or hereafter owned beneficially or of record by Grantor.

Capital stock issued and outstanding on the date of the Agreement:

3,000,000 shares of common stock of Houston Specialty Insurance Company, a Delaware corporation, as evidenced by certificate no. 1 issued in the name of Grantor.

As of the date of this Agreement, such common stock represents all of the authorized, issued and outstanding shares of common stock of Houston Specialty Insurance Company, a Delaware corporation.

SCHEDULE B
TO
PLEDGE AND SECURITY AGREEMENT
DATED DECEMBER 11, 2019,
BY AND BETWEEN
PROSPERITY BANK AND
HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.

Issuer Name:	HIIG Service Company
Jurisdiction of Incorporation:	Delaware
Federal Taxpayer I.D. Number:	45-5463484
Authorized Capital Stock:	3,000 shares of common stock
Issued Capital Stock:	1,000 shares of common stock
Outstanding Capital Stock:	1,000 shares of common stock
Issuer Name:	HIIG Underwriters Agency, Inc.
Jurisdiction of Incorporation:	Texas
Federal Taxpayer I.D. Number:	76-0165558
Authorized Capital Stock:	1,000 shares of common stock 9,000 of preferred stock
Issued Capital Stock:	1,000 shares of common stock
Outstanding Capital Stock:	1,000 shares of common stock
Issuer Name:	Houston Specialty Insurance Company
Jurisdiction of Incorporation:	Delaware
Federal Taxpayer I.D. Number:	20-8249009
Authorized Capital Stock:	5,000,000 shares of common stock
Issued Capital Stock:	3,000,000 shares of common stock
Outstanding Capital Stock:	3,000,000 shares of common stock

SCHEDULE C
TO
PLEDGE AND SECURITY AGREEMENT
DATED DECEMBER 11, 2019,
BY AND BETWEEN
PROSPERITY BANK
AND
HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.

Chief Executive Office(s) of Grantor:

Stephen L. Way
800 Gesner Road
Suite 600
Houston, Texas 77024

TRADEMARK SECURITY AGREEMENT

This TRADEMARK SECURITY AGREEMENT (this "Agreement"), is made as of December 11, 2019, by HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation ("Grantor"), in favor of PROSPERITY BANK ("Secured Party").

BACKGROUND.

Pursuant to the Credit Agreement dated as of December 11, 2019 (such agreement, together with all amendments and restatements thereto, the "Credit Agreement"), between Grantor and Secured Party, Secured Party has extended a commitment to make a Term Loan to Borrower;

In connection with the Credit Agreement, Grantor has executed and delivered the Security Agreement dated as of December 11, 2019 (such agreement, together with all amendments and restatements thereto, the "Security Agreement");

As a condition precedent to the making of the Term Loan under the Credit Agreement, Grantor is required to execute and deliver this Agreement and to grant to Secured Party a continuing security interest in all of the Trademark Collateral (as defined below) to secure all Indebtedness; and

Grantor has duly authorized the execution, delivery and performance of this Agreement.

AGREEMENT.

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, and in order to induce Secured Party to make the Term Loan pursuant to the Credit Agreement and to extend credit to or for the benefit of Grantor, Grantor agrees, for the benefit of Secured Party as follows:

1. Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided (or incorporated by reference) in the Security Agreement.

"Trademark License" means any agreement, now or hereafter in effect, granting to any third party any right to use any Trademark now or hereafter owned by Grantor or which Grantor otherwise has the right to license, or granting to Grantor any right to use any Trademark now or hereafter owned by any third party, and all rights of Grantor under any such agreement.

"Trademarks" means (a) all trademarks, service marks, trade names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, logos, other source or business identifiers, designs and general intangibles of like nature, all registrations and recordings thereof, and all registration and recording applications filed with any governmental authority in connection therewith, and all extensions or renewals thereof, (b) all goodwill associated therewith or symbolized thereby, (c) all other assets, rights and interests that uniquely reflect or embody such goodwill, and (d) all rights to use and/or sell any of the foregoing.

2. Grant of Security Interest. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, to secure all of the Indebtedness, Grantor does hereby mortgage, pledge and hypothecate to Secured Party, and grant to Secured Party a security interest in all of the following property (the "Trademark Collateral"), whether now owned or hereafter acquired by it:

(a) all Trademarks, including all Trademarks referred to in Item A of Attachment 1 attached hereto;

(b) all applications for Trademarks, including each Trademark application referred to in Item B of Attachment 1 attached hereto; and

(c) all Trademark Licenses, including all Trademark Licenses referred to in Item A of Attachment 1 attached hereto; and

(d) all proceeds and products of the foregoing, including, without limitation, insurance payable by reason of loss or damage to the foregoing.

3. Security Agreement. This Agreement has been executed and delivered by Grantor for the purpose of registering the security interest of Secured Party in the Trademark Collateral with the United States Patent and Trademark Office and corresponding offices in the United States and any state thereof. The security interest granted hereby has been granted as a supplement to, and not in limitation of, the security interest granted to Secured Party under the Security Agreement. The Security Agreement (and all rights and remedies of Secured Party thereunder) shall remain in full force and effect in accordance with its terms.

4. Acknowledgment. Grantor does hereby further acknowledge and affirm that the rights and remedies of Secured Party with respect to the security interest in the Trademark Collateral granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein.

5. Loan Document, etc. This Agreement is a Loan Document executed pursuant to the Credit Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions of the Credit Agreement.

6. Counterparts. This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the day and year first above written.

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HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation

By: /s/ Mark W. Haushill
Print Name: Mark W. Haushill
Print Title: Executive Vice President & CFO

PROSPERITY BANK, a Texas banking association

By: /s/ Todd Coultas
Todd Coultas, Vice President

ATTACHMENT I
to Trademark Security Agreement

Item A	Registered Trademarks

Registered Owner	Nature of Grantor's Interest (e.g. owner, licensee)	Registered Trademark	Registration No.	Int'l Class Covered	Goods or Services Covered	Date Registered	Country of Registration
HIIG	Owner	Stylized letters "HII"	4,101,286	36	Insurance Services	2.21.2011	USA
Boston Indemnity Company, Inc.	Owner	Letters "BI" stylized	4,306,435	36	Financial Guarantee and Surety	3.19.2013	USA

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Item B	Trademark Applications

Applicant	Nature of Grantor's Interest (e.g. owner, licensee)	Trademark Application relates to following Trademark	Serial No.	Int'l Class Covered	Goods or Services Covered	Date of Application	Country of Application
None.							

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NOTICE OF FINAL AGREEMENT

Borrower:	Houston International Insurance Group, Ltd.	Lender:	Prosperity Bank
Address:	800 Gessner Road, 6th Floor Houston, Texas 77024	Address:	5851 Legacy Circle, Suite 1200 Plano, Texas 75024

Guarantor: HIIG Service Company and HIIG Underwriters Agency, Inc.
Address: 800 Gessner Road, 6th Floor
Houston, Texas 77024

(Borrower and Guarantor collectively, whether one or more, "Obligor")

As of the effective date of this Agreement, Obligor and Prosperity Bank, a Texas banking association ("Lender") have consummated a transaction pursuant to which Lender has agreed to make a loan or loans to Borrower, and/or to otherwise extend credit or make financial accommodations to or for the benefit of Borrower, in an aggregate amount up to $100,000,000 (collectively, whether one or more, the "Loan"), and Guarantor agrees to guaranty the Loan.

COUNTERPARTS; FACSIMILE DOCUMENTS AND SIGNATURES; ESIGN; IMAGING OF DOCUMENTS

This Agreement, may be separately executed in any number of counterparts, each of which will be an original, but all of which, taken together, will be deemed to constitute one and the same instrument. If this document is transmitted by facsimile machine, electronic mail or other electronic transmission, it shall be treated for all purposes as an original document. Additionally, the signature of any party on this document transmitted by way of a facsimile machine, electronic mail or other electronic transmission shall be considered for all purposes as an original signature. Any such transmitted document shall be considered to have the same binding legal effect as an original document. At the request of any party, any facsimile, electronic mail or other electronically transmitted document shall be re-executed by each signatory party in an original form. Obligor and Lender agree that no notices or other communications by electronic means between such parties or their representatives in connection with the Loan or any instrument executed in connection therewith shall constitute a transaction, agreement, contract or electronic signature under the Electronic Signatures in Global and National Commerce Act, any version of the Uniform Electronic Transactions Act or any other statute governing electronic transactions, unless otherwise specifically agreed to in writing. Obligor understands and agrees that (a) Lender's document retention policy may involve the electronic imaging of executed documents and the destruction of the paper originals, and (b) Obligor waives any right that it may have to claim that the imaged copies of the documents are not originals.

PATRIOT ACT NOTICE

Lender hereby notifies Obligor that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies Obligor, which information includes the name and address of Obligor and other information that will allow Lender to identify Obligor in accordance with the Act.

WAIVER OF RIGHT TO TRIAL BY JURY

EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT NOT PROHIBITED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THE LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

NOTICE OF FINAL AGREEMENT

In connection with the Loan, Obligor has executed and delivered and may hereafter execute and deliver certain agreements, instruments and documents (collectively hereinafter referred to as the "Written Loan Agreement").

It is the intention of Lender and Obligor that this Notice be incorporated by reference into each of the written agreements, instruments and documents comprising the Written Loan Agreement. Each Obligor warrants and represents that the entire agreement made and existing by or between Lender and Obligor with respect to the Loan is and shall be contained within the Written Loan Agreement, as amended and supplemented hereby, and that no agreements or promises exist or shall exist by or between, Lender and Obligor that are not reflected in the Written Loan Agreement.

THE WRITTEN LOAN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Effective Date: December 11, 2019.

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PROSPERITY BANK,
a Texas banking association

By: /s/ Todd Coultas
Todd Coultas, Vice President

ACKNOWLEDGED AND AGREED:

BORROWER:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.,
a Delaware corporation

By: /s/ Mark W. Haushill
Print Name: Mark W. Haushill
Print Title: Executive Vice President & CFO

GUARANTOR:

HIIG SERVICE COMPANY, a Delaware corporation

By: /s/ Mark W. Haushill
Print Name: Mark W. Haushill
Print Title: Executive Vice President

HIIG UNDERWRITERS AGENCY, INC., a Texas corporation

By: /s/ Mark W. Haushill
Print Name: Mark W. Haushill
Print Title: Executive Vice President

TO: Prosperity Bank

DATE: December 11, 2019

FROM: Houston International Insurance Group, Ltd.

FLOW OF FUNDS; REQUEST FOR ADVANCE

The undersigned hereby requests the full funding of the term loan in the amount of $50,000,000.00 plus an advance of $25,826,814.89 under the $50,000,000.00 revolving line of credit governed by that certain Credit Agreement (the "*Credit Agreement*"), dated as of December 11, 2019, by and between PROSPERITY BANK, a Texas banking association ("*Lender*") and HOUSTON INTERNATIONAL INSURANCE GROUP, LTD., a Delaware corporation ("*Borrower*"). Set forth below is the requested direction and flow of funds based upon such request for advance. When accepted and agreed to, this request will serve as authorization by Borrower to Lender to fund the amounts set forth below. The transactions described below shall all be deemed to occur simultaneously. All capitalized terms used herein shall have the meanings assigned thereto in the Credit Agreement.

Transaction	Amount	Funding Instructions
1. Payoff of Frost Bank – Revolving Loans and Term Loan	$75,451,554.89	Frost Bank 3838 Rogers Road San Antonio, Texas 73251 ABA: #114000093 Attention: Loan Payoffs-OF-3 See Payoff Letter attached hereto as Exhibit A.
2. Origination Fee for Term Loan payable to Prosperity Bank	$250,000.00	To be netted from the disbursement of proceeds.
3. Origination Fee for Revolving Borrowing payable to Prosperity Bank.	$62,500.00	To be netted from the disbursement of proceeds.
4. Lender's Counsel's fees	$58,350.00	Wired by Prosperity Bank directly to Reed Smith LLP pursuant to the invoice attached hereto as Exhibit B.
5. Frost Bank's Counsel's fees	$4,410.00	Comerica Bank 8850 Boedeker Street Dallas, Texas 75226 ABA: #111000753 Credit: Winstead PC Client Retainer Account Account No.: 188-1293359 Reference: Attorney Name: John Holman Client Matter: 26914-40

Accepted and Agreed to as of the date first written above.

Houston International Insurance Group, LTD.,
a Delaware corporation

By: /s/ Mark W. Haushill
Name: Mark W. Haushill
Title: Executive Vice President & CFO

Flow of Funds – Signature Page

EXHIBIT A

December 10, 2019

Houston International Insurance Group, Ltd.
800 Gessner, Suite 600
Houston, Texas 77024
Attention: Rhonda N. Kemp

800 Gessner, Suite 600
Houston, Texas 77024
Attention: Legal Department

Re: Third Restated Credit Agreement dated as of April 30, 2014, among Houston International Insurance Group, Ltd. (*"Borrower"*), the lenders party thereto (*"Lenders"*) *and Frost Bank, as administrative agent* (*"Administrative Agent"*).

Ladies and Gentlemen:

This letter agreement relates to the Credit Agreement. All capitalized terms not defined herein shall have the meanings ascribed such terms in the Credit Agreement. In consideration of the premises and the mutual covenants and agreements contained herein (and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged), and subject to and upon the terms and conditions set forth herein, the parties hereto agree as follows:

1. Borrower has delivered to Administrative Agent notice pursuant to (a) Credit Agreement Section 2.8 that Borrower shall voluntarily prepay the total unpaid balance of all Loans, and accrued, unpaid interest thereon, and all other amounts (other than contingent reimbursement obligations) (other than contingent reimbursement obligations) owed by Borrower to Lenders and Administrative Agent under the Credit Agreement and the other Loan Documents on December 10, 2019 (the *"Payoff Date"*), and (b) Credit Agreement Section 2.8 that Borrower voluntarily terminates the Aggregate Revolving Commitment on the Payoff Date (but without terminating those provisions in the Credit Agreement and the other Loan Documents that specifically survive the termination of the Loan Documents by their terms or the terms of this letter agreement).

2. A. Facility Payoff Amount. As of December 10, 2019, the outstanding principal debt, accrued and unpaid interest and other charges owing under the Credit Agreement and the other Loan Documents are as follows:

1. Revolving Loans

Outstanding principal amount	$	35,000,000.00
Accrued and unpaid interest	$	151,146.98
Additional Fee	$	11,088.33
Aggregate amount due with respect to Revolving Loans	**$**	**35,162,230.31**
Per diem accrual of interest	$	3,362.43

2. Term Loan

Outstanding principal amount	$	40,000,000.00
Accrued and unpaid interest	$	282,119.37
Aggregate amount due with respect to Term Loan	**$**	**40,282,119.37**
Per diem accrual of interest	$	3,842.78
TOTAL PAY-OFF AMOUNT	**$**	**75,444,349.68**

For purposes hereof, payments received by Administrative Agent after 3:00 p.m., Central time, on December 10, 2019 (or any other day), shall be deemed to have been received the following Business Day. Subject to the next sentence, the total amount necessary to satisfy the outstanding Obligations described above on December 10, 2019, will total $75,444,349.68 (the *"Payoff Amount"*). After 3:00 p.m. on the Payoff Date, outstanding principal debt and fees shall accrue interest at the per diem amount as set forth above, and as a result, the Payoff Amount shall be increased by any such per diem amount as set forth above. The Payoff Amount assumes no further borrowings or repayments of any of the obligations to be paid off and that there is no change in the applicable interest rates (including the per diem accrual rates) after the date of this letter agreement. Borrower shall contact Administrative Agent to confirm the per diem accrual rate and the Payoff Amount. Payment of the Payoff Amount shall be made via wire transfer to the following account as follows:

Bank Name:	Frost Bank
Bank Address:	3838 Rogers Road San Antonio, Texas 78251
Attention:	Loan Payoffs–OF–3
ABA No.:	114000093
Borrower:	Houston International Insurance Group, Ltd.
Loan Nos:	42659140002 42659140003

B. Professional Fees – Winstead

Fees of Winstead PC on behalf of Administrative Agent	$	4,410.00
TOTAL PROFESSIONAL FEE AMOUNT	$	4,410.00

(Estimate)

Payment of the Professional Fees shall be made via wire transfer to the following account in immediately available funds as follows:

Bank Name:	Comerica Bank
Bank Address:	8850 Boedeker Street Dallas, Texas 75226
ABA No.:	111000753
Credit:	Winstead PC Client Retainer Account
Account No.:	188-1293359
Reference:	Attorney Name: John Holman Client Matter: 26914-40

Upon Administrative Agent's receipt of the Payoff Amount, any and all security interests, liens and pledges under the Loan Documents in favor of or for the benefit of Administrative Agent or the Lenders securing the Secured Obligations shall be automatically terminated and released, and all Loan Documents (including the Confirmations of Pledge described on Schedule 2) shall be terminated (other than (a) those provisions contained in the Loan Documents which expressly state that they shall survive termination of the Aggregate Revolving Commitments to extend credit pursuant to the Loan Documents and payment in full of the Obligations and (b) Article III and Sections 7.25, 10.3, 10.10, 10.15, 10.17 and 10.18 of the Credit Agreement). Upon the satisfaction of the conditions to termination of the Loan Documents, as described in the preceding sentence, and receipt by Borrower of the notice described in the following paragraph, Borrower or Borrower's designee is authorized to file termination statements (including without limitation, on Form UCC-3 or its equivalent) with the UCC filing offices reasonably necessary or desirable to terminate the lien filings described on Schedule 1. If any Lender or Administrative Agent receives any payment or benefit under the Loan Documents and such payment or benefit, or any part thereof, is subsequently invalidated, declared to be fraudulent or preferential, set aside or is required to be repaid to a trustee, receiver, or any other party under any proceeding under any Debtor Relief Law or equitable cause, then to the extent of such payment or benefit, the Obligations or part thereof intended to be satisfied, together with all security interests, Liens and pledges that secured the Obligations prior to giving effect to the releases and terminations given pursuant to this letter agreement, shall be revived and continued in full force and effect as if such payment or benefit had not been made and such release and termination had not been given and, further, any such repayment by such Lender or Administrative Agent shall be payable upon demand by such Lender or Administrative Agent.

Upon receipt by Administrative Agent of counterparts of this letter agreement executed by all parties and the Payoff Amount, Administrative Agent shall:

(a) promptly deliver to Borrower (in care of Ms. Rhonda Kemp at the first address specified in paragraph (b)) the stock certificates described on Schedule 2, together with any and all stock powers relating to such stock certificates, and promissory notes and allonges described on Schedule 3;

(b) send written notification of such effectiveness and receipt by Administrative Agent of the Payoff Amount by telecopier or electronic mail to:

Houston International Insurance Group, Ltd.
800 Gessner, Suite 600
Houston, Texas 77024
Attention: Rhonda N. Kemp

and

(c) promptly deliver to Borrower such other agreements and documents in form and substance satisfactory to Borrower, and take such other action from time to time, as Borrower may reasonably request, to effect the purposes of this letter agreement.

Borrower hereby agrees that, upon termination and release of the Liens granted pursuant to the Loan Documents, neither Administrative Agent nor any Lender shall have any further obligation to Borrower and Borrower hereby forever waives, relinquishes and releases any and all claims against Administrative Agent, each Lender, and their respective agents or employees, for any and all liabilities and obligations of any kind whatsoever and agrees to not commence or maintain, or assist in the commencement or maintenance of, any litigation related to any such claim.

Borrower shall pay the Professional Fees stated above in accordance with the terms hereof and shall promptly pay all other reasonable costs and expenses of Administrative Agent (including, without limitation, reasonable Attorney Costs of counsel to Administrative Agent to the extent Attorney Costs are in excess of the estimated amount) arising in connection with this letter agreement and the performance at any time of any other acts to effect the release of the Loan Documents.

The parties hereto agree upon acceptance of this letter agreement to (i) send executed signature pages to the attention of John Holman by either attachment to email at [***] or by facsimile at [***] and (ii) send two original signature pages via overnight delivery to John Holman, Winstead PC, 2728 North Harwood Street, Suite 500, Dallas, Texas 75201.

This letter shall be governed by and construed in accordance with the Laws of the State of Texas. The parties hereto agree and intend that this letter shall be binding on them and on their successors and assigns of all kinds and types whatsoever. All payments pursuant to this letter agreement are subject to Credit Agreement Section 10.10. This letter agreement may be executed in one or more counterparts, and it shall not be necessary that the signatures of all parties hereto be contained in any one counterpart hereof, each counterpart shall be deemed an original, but all of which together shall constitute one in the same instrument. Delivery of a copy of an appropriately executed signature page to this letter agreement by attachment to email or facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

[Signature Pages Follow]

If the foregoing correctly states your understanding with respect to the matters stated in this letter, please acknowledge by signing in the space provided below.

Very truly yours,

FROST BANK, a Texas state bank,
as Administrative Agent

By: /s/ Douglas A. Nelson
Douglas A. Nelson, Vice President

AGREED TO AND ACCEPTED:

BORROWER:

HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.

By: /s/ Mark W. Haushill
Print Name: Mark W. Haushill
Print Title: EVP & CFO

SCHEDULE 1

UCC Filings

Tab No.	*Filing Jurisdiction*	*Original Filing Info*	
		Filing No.	*Filing Date and Time*
Houston International Insurance Group, Ltd. *Taxpayer ID No.:*			
	Delaware Secretary of State (re: Pledge and Security Agreement)	2010 4654772	12.31.10 12:19 PM
	Delaware Secretary of State (re: SWIP Pledge and Security Agreement)	2010 4654947	12.31.10 12:28 PM
	Delaware Secretary of State (re: Security Agreement)	2010 4655126	12.31.10 12:32 PM
HIIG Service Company *Taxpayer ID No.:*			
	Delaware Secretary of State	2013 2048610	05.30.13 1:15 PM
HIIG Underwriters Agency, Inc. *Taxpayer ID No.:*			
	Texas Secretary of State	08-0004327711	04.25.14

SCHEDULE 2

Equity Interest Collateral

1.	Certificate No. 2, in the name of Houston International Insurance Group, Ltd. representing 1,000 common shares of HIIG Underwriters Agency, Inc.
2.	Certificate No. 1, in the name of Houston International Insurance Group, Ltd. representing 3,000,000 common shares of Houston Specialty Insurance Company
3.	Certificate No. 003 in the name of Houston International Insurance Group, Ltd. representing 1,000 common shares of HIIG Service Company

Confirmations of Pledge

1.	Confirmation of Pledge by Issuer from Houston International Insurance Group, Ltd. and Bunker Hill Underwriters Agency, Inc.
2.	Confirmation of Pledge by Issuer from Houston International Insurance Group, Ltd. and Houston Specialty Insurance Company

SCHEDULE 2 – Solo Page

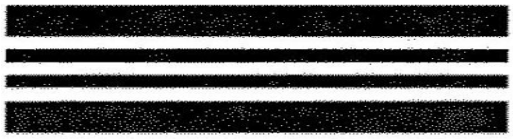
SCHEDULE 3

Promissory Notes and Allonges

1.	Fixed Rate Surplus Debenture dated August 26, 2019, made by Houston Specialty Insurance Company to Houston International Insurance Group, Ltd.
2.	Allonge to Fixed Rate Surplus Note No. 1
3.	Surplus Debenture No. 2 dated December 3, 2019, made by Houston Specialty Insurance Company to Houston International Insurance Group, Ltd.
4.	Allonge to Fixed Rate Surplus Note No. 2

EXHIBIT B

[***]



UCC FINANCING STATEMENT
FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
AI Kyle (469) 680-4215

B. E-MAIL CONTACT AT FILER (optional)
akyle@reedsmith.com

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

AI Kyle
Reed Smith LLP
2501 N. Harwood, Suite 1700
Dallas, TX 75201

Delaware Department of State
U.C.C. Filing Section
Filed: 02:34 PM 12/11/2019
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1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact. full name: do not omit, modify, or abbreviate any part or the Debtor's name); if any part of the individual Debtor's name will not fit inline 1b. leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

	1a. ORGANIZATION'S NAME				
OR	**HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.**				
	1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
1c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY	
800 Gessner, Suite 600	**Houston**	**Tx**	**77024**	**US**	

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact. full name: do not omit, modify, or abbreviate any part or the Debtor's name); if any part of the individual Debtor's name will not fit inline 2b. leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

	2a. ORGANIZATION'S NAME				
OR					
	2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY	

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

	3a. ORGANIZATION'S NAME				
OR	**PROSPERITY BANK**				
	3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
3c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY	
5851 Legacy Circle, Suite 1200	**Plano**	**Tx**	**75024**	**US**	

4. COLLATERAL: This financing statement covers the following collateral:

See the Schedule of Collateral.

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and instructions) ☐ being administered by a Decedant's Personal Representative

6a. Check only if applicable and check only one box: ☐ Public Finance Transaction ☐ Manufactured Home Transaction ☐ A Debtor is a Transmitting Utility	6b. Check only if applicable and check only one box: ☐ Agricultural Lien ☐ Non UCC Filling

7. Alternative DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/censor

8. OPTIONAL FILER REFERENCE DATA:

SCHEDULE OF COLLATERAL

The term "Collateral" shall mean all of the personal property of Debtor including but not limited to, wherever located, and now owned or hereafter acquired:

(i) All "accounts," as defined under Chapter 9 of the Uniform Commercial Code as from time to time in effect in the State of Texas or other applicable jurisdictions (the "Code") (including all health care insurance receivables), together with any and all books of account, customer lists and in any case where an account arises from the sale of goods, the interest of Debtor in such goods.

(ii) All "inventory" as defined in the Code.

(iii) All "chattel paper" as defined in the Code.

(iv) All "equipment" as defined in the Code, of whatsoever kind and character now or hereafter possessed, held, acquired, leased or owned by Debtor and used or usable in Debtor's business, and in any event shall include, but shall not be limited to, all machinery, tools, computer software, office equipment, furniture, appliances, furnishings, fixtures, vehicles, motor vehicles, together with all replacements, accessories, additions, substitutions and accessions to all of the foregoing, and all manuals and instructions. To the extent that the foregoing property is located on, attached to, annexed to, related to, or used in connection with, or otherwise made a part of, and is or shall become fixtures upon, real property.

(v) All "fixtures" as defined in the Code.

(vi) All "instruments" as defined in the Code (including promissory notes).

(vii) All "investment property"as defined in the Code.

(viii) All "documents" as defined in the Code.

(ix) All "deposit accounts" as defined in the Code.

(x) All "commercial tort claims" as defined in the Code.

(xi) All "letter of credit rights" as defined in the Code.

(xii) All "general intangibles" as defined in the Code, including all rights in all payment intangibles, permits, regulatory approvals, copyrights, patents, trademarks, service marks, trade names, mask works, goodwill, licenses and all other intellectual property owned by Debtor or used in Debtor's business.

(xiii) All "supporting obligations" as defined in the Code.

(xiv) All Patents, Trademarks, Copyrights, and Licenses.

(xv) All commissions (including, but not limited to, all insurance, reinsurance, placement and broker commissions) and other payments owed to Debtor in consideration for services performed or to be performed and goods provided or to be provided by Debtor and its subsidiaries, all renewal and reinstatement commissions and payments, and all contractual rights of Debtor and its subsidiaries to receive such commissions or any other payments with respect to the other foregoing and following property and all future commissions, including but not limited to any of the foregoing that were earned by or owed to Debtor or such subsidiary prior to or after the commencement of any proceeding under any debtor relief law involving Debtor or such subsidiary but which were received by Debtor or such subsidiary after the commencement of such proceeding under any debtor relief law.

(xvi) All records relating in any way to the foregoing and following (including, without limitation, any computer software, whether on tape, disk, card, strip, cartridge or any other form).

Collateral also includes all PRODUCTS and PROCEEDS of all of the foregoing (including without limitation, insurance payable by reason of loss or damage to the foregoing property) and any property, securities, guaranties or monies of Debtor which may at any time come into the possession of Secured Party.

Exhibit 10.11

MANAGEMENT SERVICES AGREEMENT

This MANAGEMENT SERVICES AGREEMENT made as of August 1, 2019 (this "**Agreement**") is between Houston International Insurance Group, Ltd., a Delaware corporation (the "**Company**"), and Westaim HIIG GP Inc. (the "**Manager**").

BACKGROUND

1. Westaim IRIG Limited Partnership, an Ontario, Canada limited partnership (the "**Partnership**") owns approximately 71% of the outstanding shares of common stock in the capital stock of the Company ("**Common Shares**").

2. The Manager is the general partner of the Partnership.

3. The Manager has expertise in the areas of finance, strategy, investment and acquisitions and has expertise in certain other matters that affect the Company and its business.

4. The Company desires to avail itself, for the term of this Agreement, of the expertise of the Manager in these and other areas in which the Manager has competence, and the Manager is willing to provide the services to the Company as set forth in this Agreement in consideration of the payment of the fees described below.

5. The rendering by the Manager of the services described in this Agreement will be made on the basis that the Company will pay the fees described below.

AGREEMENT

The parties agree as follows:

SECTION 1. **Appointment.** The Company appoints the Manager to provide the services described in Section 2 (the "**Services**") for the term of this Agreement.

SECTION 2. **Services.** During the term of this Agreement, the Manager will render to the Company, by and through itself, its affiliates and their respective officers, employees and representatives as the Manager in its sole discretion may designate from time to time, such advisory and consulting services in relation to the affairs of the Company and its subsidiaries as the Company may reasonably request, including, without limitation, (i) advice regarding the structure, terms, conditions and other provisions, distribution and timing of debt and equity offerings and advice regarding relationships with the Company's and its subsidiaries' lenders and bankers, (ii) advice regarding dispositions or acquisitions, (iii) business analyst services, and (iv) such other advice directly related or ancillary to the above financial advisory services as may be reasonably requested by the Company. However, the Manager will have no obligation to provide any other services to the Company absent written agreement between the Manager and the Company over the scope of such other services and the payment therefor.

SECTION 3. **Fees.**

(a) In consideration of the Services being provided by the Manager, the Company will pay to the Manager an aggregate annual fee (the "**Ongoing Advisory Fee**") of US$500,000.00 in cash during the term of this Agreement. One quarter of the Ongoing Advisory Fee will be payable quarterly in advance on the first day of each quarter, by wire transfer in same-day funds to the bank account designated by the Manager, commencing at the Effective Time (as defined below) and continuing through the Termination Date (as defined below). Any Ongoing Advisory Fee for the first calendar quarter of this Agreement will be prorated for the period of such quarter commencing at the Effective Time and will be payable at the Effective Time. Any Ongoing Advisory Fee for the last calendar year of this Agreement will be prorated for the period of such year ending on the Termination Date.

(b) To the extent the Company cannot pay the Ongoing Advisory Fee in cash for any reason, including by reason of constraints imposed by any debt financing of the Company or its subsidiaries, the payment by the Company to the Manager of the accrued and payable Ongoing Advisory Fee will be deferred until the earlier of (i) the date payment in cash of such deferred Ongoing Advisory Fee is not otherwise prohibited under any contract applicable to the Company and is otherwise able to be made, and (ii) total or partial liquidation, dissolution or winding up of the Company.

SECTION 4. **Reimbursements**. In addition to the fees payable pursuant to this Agreement, the Company will pay directly or reimburse the Manager, Partnership and each of their respective affiliates for their respective Out-of-Pocket Expenses (as defined below). For the purposes of this Agreement, the term "**Out-of-Pocket Expenses**" means the reasonable and documented out-of-pocket costs and expenses incurred by the Manager, Partnership and their respective affiliates in connection with the Services rendered under this Agreement, or in order to make any legally required filings relating to Partnership's direct or indirect ownership of capital stock of the Company or its successor, or otherwise incurred by the Manager, Partnership and their respective affiliates from time to time in the future in connection with the ownership or subsequent sale or transfer by Partnership of capital stock of the Company or its successor, including, without limitation, (a) fees and disbursements of any independent professionals and organizations, including independent accountants, outside legal counsel or consultants, retained by the Manager, Partnership or any of their respective affiliates, (b) costs of any outside services or independent contractors such as financial printers, couriers, business publications, on-line financial services or similar services, retained or used by the Manager, Partnership or any of their respective affiliates and (c) transportation, per diem costs, word processing expenses or any similar expense not associated with their or their affiliates' ordinary operations. All payments or reimbursements for Out-of-Pocket Expenses will be made by wire transfer in same-day funds to the bank account designated by the Manager or its relevant affiliate (if such Out-of-Pocket Expenses were incurred by the Manager, Partnership or their respective affiliates) promptly upon or as soon as practicable following request for reimbursement in accordance with this Agreement, to the account indicated to the Company by the relevant payee.

SECTION 5. **Indemnification.** The Company will indemnify and hold harmless the Manager, its affiliates and their respective partners (both general and limited), members (both managing and otherwise), officers, directors, employees, agents and representatives (each such person being an "**Indemnified Party**") from and against any and all losses, claims, damages and liabilities, including in connection with seeking indemnification, whether joint or several (the "**Liabilities**") related to, arising out of or in connection with (including prior to the Effective Time) the Services contemplated by this Agreement or the engagement of the Manager pursuant to, and the performance by the Manager of the services contemplated by, this Agreement (including the financial and structuring analysis, due diligence investigations, other advice and negotiation assistance in connection with actions taken by the Company and its subsidiaries), whether or not an Indemnified Party is a party, whether or not resulting in any liability and whether or not such action, claim, suit, investigation or proceeding is initiated or brought by or on behalf of the Company. The Company will reimburse any Indemnified Party for all reasonable and documented costs and expenses (including reasonable and documented attorneys' fees and expenses) as they are incurred in connection with investigating, preparing, pursuing, defending or assisting in the defense of any pending or threatened action, claim, suit, investigation or proceeding for which the Indemnified Party would be entitled to indemnification under the terms of the previous sentence, or any action or proceeding arising therefrom, whether or not such Indemnified Party is a party thereto. The Company will not be liable under the foregoing indemnification provision with respect to any particular loss, claim, damage, liability, cost or expense of an Indemnified Party to the extent determined by a court, in a final judgment from which no further appeal may be taken, to have resulted from the fraud, gross negligence, bad faith or willful misconduct of such Indemnified Party. The attorneys' fees and other expenses of an Indemnified Party will be paid by the Company as they are incurred upon receipt, in each case, of an undertaking by or on behalf of the Indemnified Party to repay such amounts if and to the extent it is finally judicially determined that the Liabilities in question resulted from the fraud, gross negligence, bad faith or willful misconduct of such Indemnified Party.

SECTION 6. **Information to be Provided.** The Company will furnish or cause to be furnished to the Manager such information as the Manager believes reasonably appropriate to its services hereunder and to the ownership by Partnership of equity interests of the Company (all such information so furnished, the "**Information**"). The Company recognizes and confirms that the Manager (a) will use and rely primarily on the Information and on information available from generally recognized public sources in performing the Services contemplated by this Agreement without having independently verified the same, (b) does not assume responsibility for the accuracy or completeness of the Information and such other information and (c) is entitled to rely upon the Information without independent verification.

SECTION 7. **Term of Agreement.** This Agreement will be effective (the "**Effective Time**") as of August 1, 2019. The Company will make the payments to the Manager pursuant to Section 3 by wire transfer of same-day funds to the bank account designated by the payee in writing. This Agreement will continue until the "**Termination Date**", which is the earliest of (a) the date on which Partnership owns less than 8% of the number of shares of Common Stock then outstanding; provided, however, that for purposes of calculating whether such ownership interest meets such 8% threshold, any capital stock of the Company issued by the Company at any time following the Effective Time through and including the applicable date of measurement, including the effect of any stock split, stock dividend, recapitalization or other similar transaction, shall be disregarded, (b) the date on which the Company's initial public offering is consummated, or (c) the date upon which a Change in Control (as defined in the Amended and Restated Stockholders' Agreement of the Company dated as of March 12, 2014, as the same may be amended) occurs. Notwithstanding the occurrence of the Termination Date, Section 4 will survive the termination of this Agreement and remain in effect thereafter with respect to Out-of-Pocket Expenses that were incurred prior to the Termination Date but have not been paid to the Manager in accordance with Section 4. In addition, the provisions of Sections 3(b), 5, 8 and 9 will survive the termination of this Agreement.

SECTION 8. **Permissible Activities.** Subject to applicable law, nothing herein will in any way preclude the Manager or its affiliates (other than the Company or its subsidiaries and their respective employees) or their respective partners (both general and limited), members (both managing and otherwise), officers, directors, employees, agents or representatives from engaging in any business activities or from performing services for its or their own account or for the account of others, including for companies that may be in competition with the business conducted by the Company.

SECTION 9. **Miscellaneous.**

(a) No amendment or waiver of any provision of this Agreement, or consent to any departure by any party hereto from any such provision, will be effective unless it is in writing and signed by the parties hereto. Any amendment, waiver or consent will be effective only in the specific instance and for the specific purpose for which given. The waiver by any party of any breach of this Agreement will not operate as or be construed to be a waiver by such party of any subsequent breach.

(b) Any notices or other communications required or permitted hereunder will be sufficiently given if delivered personally or sent by facsimile with confirmed receipt, or by overnight courier, addressed as follows or to such other address of which the parties may have given written notice:

if to the Manager:

70 York Street
Suite 1700
Toronto, Ontario
M5J 1S9

Attention: J. Cameron MacDonald
Email: [***]

with a copy (which will not constitute notice) to:

Dentons Canada LLP
77 King Street West, Suite 400
Toronto, ON M5K °Al

Attention: Kevin Rooney
Email: [***]

if to the Company:
800 Gessner, Suite 600
Houston, Texas 77024

Attention: Stephen L. Way
Email: [***]

with a copy (which will not constitute notice) to:

Locke Lord, LLP
600 Travis, Suite 2800
Houston, TX 77002

Attention: Christopher L. Martin
Email: [***]

Unless otherwise specified herein, such notices or other communications will be deemed received on the date delivered, if delivered personally or sent by facsimile with confirmed receipt, and one business day after being sent by overnight courier.

(f) This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and will supersede all previous oral and written (and all contemporaneous oral) negotiations, commitments, agreements and understandings relating to the subject matter of this Agreement.

(g) This Agreement will be governed by, and construed in accordance with, the laws of the State of Delaware.

(h) The provisions of this Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors. Subject to the next sentence, no Person other than the parties hereto and their respective successors is intended to be a beneficiary of this Agreement. The parties acknowledge and agree that the Manager and Partnership and their respective affiliates, partners (both general and limited), members (both managing and otherwise), officers, directors, employees, agents and representatives are intended to be third-party beneficiaries under Sections 4 and 5 of this Agreement.

(i) This Agreement may be executed by one or more parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together will be deemed to constitute one and the same instrument.

(j) The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid or unenforceable, (i) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (ii) the remainder of this Agreement and the application of such provision to other Persons or circumstances shall, subject to the mitigation contemplated by clause (i), not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, if any other jurisdiction.

The undersigned have executed, or have caused to be executed, this Management. Services Agreement on the date first written above.

HOUSTON INTERNATIONAL INSURANCE LTD.

By: /s/Mark W. Haushill
Name: Mark W. Haushill
Title: CFO

WESTAIM HIIG GP INC.

By: /s/Glenn MacNeil
Name: Glenn MacNeil
Title: CFO

Exhibit 10.12

JUNE 1, 2021 SUBSURETYSHIP, POWER OF ATTORNEY,
AND INDEMNIFICATION AGREEMENT

This **June 1, 2021 SUBSURETYSHIP, POWER OF ATTORNEY, AND INDEMNIFICATION AGREEMENT** ("the June 1, 2021 Agreement") is made this 1st day of June 2021 by and between **EVEREST REINSURANCE COMPANY** ("EVEREST"), a Delaware domiciled company with its principal offices at 100 Everest Way, Warren, New Jersey, 07059 and **HOUSTON SPECIALTY INSURANCE COMPANY, IMPERIUM INSURANCE COMPANY, GREAT MIDWEST INSURANCE COMPANY, OKLAHOMA SPECIALTY INSURANCE COMPANY,** and **BOSTON INDEMNITY COMPANY, INC.** (hereinafter collectively referred to as the "Principal Surety") with principal offices at 800 Gessner Road, Suite 600, Houston, Texas 77024.

WHEREAS, EVEREST and the Principal Surety desire that this June 1, 2021 Agreement shall apply to any and all Principal Surety-issued bond business effective on or after June 1, 2021 with EVEREST on which EVEREST provides Subsurety Support (as defined herein) under the Surety XOL Reinsurance Contract, effective June 1, 2021, as amended from time to time; together with, if applicable, any facultative Offers and Acceptances issued pursuant to such Reinsurance Contract, as revised, between the Principal Surety and EVEREST (all such agreements being hereinafter collectively referred to in the singular throughout this June 1, 2021 Agreement as the "Reinsurance Contract");

WHEREAS, subject to the limits, terms and conditions of the written, authorized power of attorney issued to the Principal Surety by EVEREST, the Principal Surety from time to time may issue surety bonds on which the obligee requires a carrier: (a) with a rating of "A+" or better from A.M. Best, (b) with a Treasury Listing that exceeds the Principal Surety's Department of the Treasury's Listing of Approved Sureties (Department Circular 570); (c) to act as the Principal Surety's cut-through reinsurer pursuant to a cut-through endorsement in the reinsurance contract (e.g., a Miller Act endorsement); or (d) to otherwise support the Principal Surety in a way or form to which EVEREST has given its prior written consent (hereinafter collectively referred to as the "Subsurety Support");

WHEREAS, subject to the limits, terms and conditions of the written, authorized power of attorney issued to the Principal surety on a per-bond basis by EVEREST, the Principal Surety may request EVEREST to provide such Subsurety Support on Principal Surety-issued bonds and to authorize the Principal Surety: (a) to designate EVEREST as an additional surety on the bonds or (b) to request the designation of EVEREST as a cut-through reinsurer on such bonds;

WHEREAS, the parties acknowledge and agree that: (i) at all times and in every instance contemplated by this June 1, 2021 Agreement, EVEREST is acting in the capacity of a subsurety; and (ii) in order to be eligible for Subsurety Support under the June 1, 2021 Agreement, EVEREST must approve each and every applicable bond and (iii) the bond must fall within the scope and coverage of Reinsurance Contract;

WHEREAS, to induce EVEREST to enter into this June 1, 2021 Agreement with the Principal Surety, the Principal Surety has agreed to provide collateral in the amount of Two Hundred Fifty Thousand Dollars ($250,000), payable in cash or letter of credit within thirty (30) calendar days of June 1, 2021.

WHEREAS, as a further inducement to EVEREST to enter into this June 1, 2021 Agreement with the Principal Surety, the Principal Surety, on behalf of itself and its affiliates, if any, or as any may become applicable (hereinafter, such affiliates collectively referred to as the "Co-Indemnitor" or "Co-Indemnitors", if any), have agreed jointly and severally and without limitation to hold EVEREST harmless and indemnify EVEREST from and against any and all liability and/or expense arising from EVEREST's Subsurety Support on bonds issued by the Principal Surety in accordance with this June 1, 2021 Agreement and /or alleged to have been issued in accordance with this June 1, 2021 Agreement, whether such liability and/or expense directly or indirectly is caused by, is in connection with, is related to, or arises out, howsoever remote, tenuous, or attenuate, any actual and/or alleged error, act, mistake, and/or omission committed by the Principal Surety, by any Co-Indemnitors, and/or by any actual, apparent, presumed and/or alleged custodian, agent and/or sub-agent of the Principal Surety and/or any actual, apparent, presumed, and/or alleged designee of the Principal Surety.

WHEREAS, the parties recognize that any obligation of the Principal surety and/or any Co-Indemnitor under this June 1, 2021 Agreement shall survive its termination.

NOW THEREFORE, in consideration of the foregoing "WHEREAS" clauses, the truth and accuracy of which are hereby acknowledged by the parties and which are hereby incorporated by reference as an integral part of this June 1, 2021 Agreement, and the mutual covenants and promises set forth herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Subsurety Support Limits: Subject to this June 1, 2021 Agreement including Schedule B hereto, upon the prior approval by EVEREST, EVEREST agrees to provide Subsurety Support to the Principal Surety only on bonds covered under the Reinsurance Contract. In the absence of a "per principal" or "per bond" penal sum limit in the Reinsurance Contract, the Principal Surety shall never authorize, commit or purport to commit EVEREST Subsurety Support on any bond if the penal sum of the final bond will exceed:

A. The sum of the "per principal" limits of the applicable Reinsurance Contract of all EVEREST-reinsured layers, *excluding* the amount of the Principal Surety's retention, for bonds ceded under a "per principal" excess of loss treaty or facultative Reinsurance Contract;

B. The sum of the "per bond" limits of the applicable Reinsurance Contract of all EVEREST-reinsured layers, *excluding* the amount of the Principal Surety's retention, for bonds ceded under a "per bond" excess of loss treaty or facultative Reinsurance Contract;

C. The maximum "per bond" cession limit of the applicable Reinsurance Contract for bonds ceded under a pro rata treaty Reinsurance Contract; or

D. The maximum "per bond" cession limit set forth in an applicable Offer and Acceptance for bonds ceded under a pro rata facultative Reinsurance Contract.

In the event that a bond is covered under both a pro rata and excess of loss Reinsurance Contract, the Subsurety Support bond penal sum shall never exceed the maximum "per bond" cession limit set forth in the relevant pro rata Reinsurance Contract. In cases involving EVEREST-authorized special acceptances, the final bond penal sum shall never exceed the amount set forth in the special acceptance excluding the amount of the Principal Surety's retention or, if no such amount is set forth, as determined in accordance with Subsections (A) through (D) above.

Notwithstanding anything contained herein to the contrary, it is hereby understood and agreed by EVEREST and Principal Surety that where EVEREST is providing Subsurety Support to Principal Surety, the total cost to complete on all such bonds outstanding at any one time shall not exceed Fifty Million Dollars ($50,000,000).

2. Unreinsured Bond Prohibition: The Principal Surety is prohibited from affixing an EVEREST power of attorney to a bond issued by the Principal Surety that is: (i) not approved by EVEREST and (ii) not covered under the terms of the Reinsurance Contract. In the event that the Principal Surety in error affixes an EVEREST power of attorney to a bond that is not covered under the Reinsurance Contract and not approved by EVEREST, the Principal Surety shall replace EVEREST on the bond with another qualified surety within fifteen (15) days of discovery of the error by the Principal Surety or of EVEREST's written or oral notification of the Principal Surety regarding the error. If the Principal Surety is prohibited from replacing EVEREST on the bond by its terms or is unable for any reason to replace EVEREST, EVEREST, in its sole discretion, may demand, and the Principal Surety and all other Co-Indemnitors shall immediately post, collateral for the benefit of, and in a form acceptable to, EVEREST up to an amount equal to EVEREST's maximum potential exposure under the bond. If EVEREST permits the Principal Surety and all other Co-Indemnitors to post less than EVEREST's maximum exposure under the bond, EVEREST may, from time to time, require the Principal Surety and all other Co-Indemnitors to increase the amount of collateral immediately upon demand by any amount it deems appropriate, in its sole discretion, up to EVEREST's maximum potential exposure. Such issuance in error shall terminate the Principal Surety's authorization to use EVEREST's Subsurety Support.

3. Designation and Obligations of Custodians: The Principal Surety hereby designates on Schedule A to this June 1, 2021 Agreement the persons currently authorized to serve as custodians (the "Custodians") of EVEREST powers of attorney and corporate seals. EVEREST agrees to deliver to each Custodian EVEREST corporate seals. Upon delivery of the corporate seals to the Custodian, the Principal Surety shall ensure that a written and signed receipt is returned to EVEREST from each authorized Custodian. From time to time, the Principal Surety may request that the Custodians listed in Schedule A be amended, subject always to EVEREST's prior written approval. The Principal Surety shall ensure that each new Custodian is notified in writing regarding the terms and conditions in this June 1, 2021 Agreement regarding their use of EVEREST powers of attorney and corporate seals, and the Custodians shall acknowledge, in writing, their agreement to abide by those terms and conditions. The Principal Surety acknowledges the existence of a fiduciary relationship between it, EVEREST, and these Custodians, who are charged with the care and safekeeping of EVEREST's powers and corporate seals and with exercising EVEREST's powers responsibly, in good faith, and in accordance with this June 1, 2021 Agreement and Schedule B, which is hereby incorporated by reference into this Agreement. The Principal Surety shall enforce strict compliance with these fiduciary obligations by all Custodians. All Custodians listed in Schedule A shall be deemed to be agents of the Principal Surety and the Co-Indemnitors, if any.

4. Errors and Omissions Clause: The Principal Surety agrees to maintain insurance in an amount acceptable to EVEREST to cover Custodian malfeasance, errors, malpractice or mistakes. Such insurance will inure to the benefit of this June 1, 2021 Agreement, the Reinsurance Agreement and to EVEREST.

5. Bond Reporting and Audits: Periodically, the Principal Surety shall provide to EVEREST and/or caused to be provided to EVEREST by any Custodian, agent, and/or sub agent of the Principal Surety all appropriate and necessary information on bonds on which it provides Subsurety Support issued by the Principal Surety so that EVEREST can properly account for this business and prepare all regulatory filings in a timely manner. EVEREST may review and audit at the Principal Surety's and/or the Principal Surety's Custodians', agents' and/or sub agent's bond files, power of attorney logs, Custodian activities, and any other records related to this Agreement at any time.

6. Termination of Bonding Authority:

A. At any time, EVEREST, in its sole discretion and with or without cause, may immediately terminate or modify the Principal Surety's authority to issue any EVEREST power of attorney or to use its corporate seal upon written or verbal notice to the Principal Surety and regardless of whether a Reinsurance Contract remains in effect. The Principal Surety agrees to cooperate with EVEREST to obtain the prompt return of all evidences of powers of attorney and the corporate seals in the possession of a Custodian or any other person. The Principal Surety's authority to designate EVEREST as the provider of Subsurety Support on any bond shall in any event terminate automatically and simultaneously upon the expiration or termination of the relevant Reinsurance Contract.

B. In the event that Principal Surety's A.M. Best's rating falls below "A-", this June 1, 2021 Agreement shall terminate automatically and without notice to the Principal Surety by EVEREST and the Principal Surety immediately shall cease and desist from issuing bonds on a co-surety basis using EVEREST's power of attorney and shall comply with all of the requirements of sub-section (A) of this Section of this June 1, 2021 Agreement regarding termination of bonding authority.

7. Claims Handling on Subsurety Supported Bonds:

A. Unless otherwise directed by EVEREST in writing, the Principal Surety shall be responsible for handling all claim matters arising under bonds on which EVEREST provided Subsurety Support, including but not limited to the following claims handling matters:

(1) Providing immediate notice to EVEREST of any claim or suit brought or filed against a bond;

(2) Acknowledging receipt of all claims and representing to all bond claimants that it is authorized to handle bond claims on behalf of EVEREST;

(3) Using good faith efforts to determine liability, evaluate claimed amounts, settle or defend any claim or suit, and take such other actions as it may deem necessary while at all times acting consistent with the protection of EVEREST's subsurety rights and interests, provided that, in no event shall such actions involve either the extension of credit or the advancement of money;

(4) In every case, complying with all state regulations with respect to claim handling;

(5) Protecting and defending EVEREST at the Principal Surety's sole expense against any and all claims, litigation and arbitration arising under bonds on which EVEREST provided Subsurety Support, any and all alleged violations of insurance regulations, and any and all alleged statutory, common law and other claims and causes of action arising under bonds on which EVEREST provided Subsurety Support; and

(6) Providing EVEREST with information regarding the handling of all claims, litigation and arbitration under the bonds as often and in such detail as EVEREST may request from time to time.

B. EVEREST expressly reserves the right to:

(1) Settle any claim or litigation against it in its capacity as a subsurety on any bond and to obtain releases fully extinguishing the liability of EVEREST and, if necessary, the liability of the Principal Surety and the Principal Surety hereby agrees to be bound by and follow all of EVEREST's liability incurred and settlements in this regard;

(2) Reject any bond claim counsel selected by the Principal Surety to represent both its and EVEREST's interests; and

(3) Review and approve all pleadings, litigation submissions, responses and answers submitted on behalf of EVEREST and retain separate counsel of its choice to represent it or to monitor a claim or litigation, the expense of which shall be the Principal Surety's obligation pursuant to the indemnification obligations under this Agreement.

C. The Principal Surety may not delegate or assign its authority to direct, control, or settle any claims arising under the bonds to any third party without the prior written consent of EVEREST. In the event of an unauthorized delegation or assignment, EVEREST, in its sole discretion, may immediately assume the handling of the claim or demand that the Principal Surety and other Co-Indemnitors immediately post collateral for the benefit of, and in a form acceptable to, EVEREST up to an amount equal to EVEREST's maximum potential exposure under the relevant bonds. If EVEREST permits the Principal Surety and other Co-Indemnitors to post less than EVEREST's maximum potential exposure under the relevant bonds, EVEREST may, from time to time, require the Principal Surety to increase the amount of collateral immediately upon demand by any amount it deems appropriate, in its sole discretion, up to EVEREST's maximum potential exposure.

8. Principal Surety and Co-Indemnitor Hold Harmless and Indemnification Undertakings: The Principal Surety and other Co-Indemnitors, if any, shall jointly and severally and without limitation release, indemnify, and hold harmless EVEREST, its directors, officers, employees, attorneys, agents, subsidiaries, parent and affiliates from and against any and all liability, loss, payment, damage (including punitive and exemplary damages; however, to the extent that such punitive and exemplary damages are Extra-contractual Obligations ("ECO"), as this term is defined in the Reinsurance Contract, the obligations of the Principal Surety for such damages under this Section of this June 1, 2021 Agreement shall not exceed its proportionate share of ECO under the Reinsurance Contract), judgments, suits, demands, interest, attorneys' fees and disbursements, cost and expense of any kind whatsoever which exceeds EVEREST's reinsurance liability under the Reinsurance Contract and which arises from, without limitation, this June 1, 2021 Agreement and/or any of the following:

EVEREST's Subsurety Support on any bond in excess of EVEREST's reinsurance liability under the Reinsurance Contract;

An EVEREST power of attorney being affixed to a bond issued by the Principal Surety that is not approved by EVEREST regardless of whether EVEREST is replaced on any unreinsured bond issued by the Principal Surety or the Principal Surety posted collateral pursuant to Section 2 ("Unreinsured Bonds Prohibition");

An EVEREST power of attorney being affixed to a bond issued by the Principal Surety that is not covered under the Reinsurance Agreement regardless of whether EVEREST is replaced on any unreinsured bond issued by the Principal Surety or the Principal Surety posted collateral pursuant to Section 2 ("Unreinsured Bonds Prohibition");

Any use of EVEREST powers of attorney or corporate seals contrary to the terms and conditions of this Agreement, the Reinsurance Contract, law, regulation, or EVEREST's written or oral instructions including, but not limited to, those set forth in the attached Schedule B; or Claims handling activities undertaken by EVEREST in connection with any bonds on which it provided Subsurety Support regardless of whether the Principal Surety, EVEREST, or both are named in the bond claim or litigation (indemnified expenses shall include both allocated and unallocated loss adjustment expenses);

plus any and all liability, loss, damage, judgments, suits, demands, interest, arbitrator and arbitration costs and expenses (including those incurred under Paragraph 14 herein), attorneys' fees and disbursements, cost and expense of any nature whatsoever incurred by EVEREST to enforce this Agreement. All such hold harmless and indemnification payments shall be made promptly by the Principal Surety or other Co-Indemnitors, if any, to EVEREST upon presentation of EVEREST's written hold harmless and indemnification demand. This hold harmless and indemnification obligation to EVEREST shall survive the expiration or termination for any reason of this June 1, 2021 Agreement and the Reinsurance Contract.

9. Setoff Rights: EVEREST, in its sole discretion, may set off any balances or amounts due from the Principal Surety under this June 1, 2021 Agreement and under the Reinsurance Contract against any obligations of any kind which EVEREST may incur pursuant to a contract of any kind heretofore or hereafter entered into between the Principal Surety and EVEREST, whether the contracting parties are acting as assuming reinsurer, ceding insurer, principal surety, subsurety, or in any other capacity. If the Principal Surety (including all affiliates and subsidiaries, whether or not covered by this Agreement) is comprised of more than one entity, all such entities shall be considered to be the Principal Surety subject to EVEREST's setoff rights pursuant to this provision. In the event of insolvency of the Principal Surety, setoff shall be permitted in accordance with the terms of this provision and to the fullest extent permitted under applicable law.

10. Subsurety Support as Reinsurance: As between EVEREST and the Principal Surety and Co-Indemnitors, EVEREST's Subsurety Support on any bond shall be construed to be reinsurance under the applicable Reinsurance Contracts, subject to all the terms and conditions contained therein except that any disputes arising from the terms and conditions of this June 1, 2021 Agreement shall be resolved in accordance with the arbitration procedures set forth below.

11. Without Prejudice to Subsurety's Subrogation Rights: Nothing herein shall be deemed or construed to adversely affect EVEREST's subrogation rights, whether contractual, equitable or deriving from any other source, arising pursuant to any bond or pursuant to payment of a claim under any bond.

12. Premium Taxes: The Principal Surety shall pay any premium taxes applicable to any bonds it issues on which EVEREST provides Subsurety Support.

13. Administrative Fee: The Principal Surety shall pay EVEREST an administrative fee of Sixty Thousand Dollars ($60,000) per annum plus six percent (6.00%) of every dollar of premium in excess of One Million Dollars ($1,000,000) on any and all Principal Surety-issued bond business effective on or after June 1, 2021 with EVEREST on which EVEREST provides Subsurety Support, payable within thirty (30) calendar days of each June 1 that this June 1, 2021 Agreement remains in force.

14. Arbitration: As a condition precedent to any right of action hereunder, any and all disputes relating to this Agreement, including its formation, interpretation and performance, shall be resolved by a panel of three (3) arbitrators. Such arbitration shall be initiated at the written request of either party in accordance with the following procedures:

A. Each party shall choose an arbitrator, and the two (2) so chosen shall choose the third. If either party fails to appoint an arbitrator within thirty (30) days of being requested to do so by the other party, the requesting party may choose both arbitrators, who shall choose the third. In the event the two (2) arbitrators are unable to agree upon the third arbitrator within thirty (30) days of their appointment, then the third arbitrator shall be appointed by the American Arbitration Association. All arbitrators shall be active, former, or retired executive officers, (including but not limited to active, former or retired in-house counsel) of insurance or reinsurance companies with surety business experience and shall not have a personal or financial interest in the parties or the outcome of the arbitration.

B. The party requesting arbitration shall submit its statement of claim within thirty (30) days of the selection of the third arbitrator, and the respondent shall submit its statement of claim thirty (30) days thereafter, or in accordance with other time frames as determined by the arbitration panel. The panel shall make its decision with regard to the custom and practice of the insurance and reinsurance surety business. The panel is relieved of all judicial formalities and may abstain from following the strict rules of evidence and procedure.

C. The panel shall issue its decision as promptly as possible following the completion of a hearing, if there is one. In no event shall punitive damages be awarded. The majority decision of the arbitrators shall be final and binding upon all parties to the proceeding. Judgment may be entered upon the award of the panel in any court having jurisdiction thereof.

D. The arbitration shall take place in Warren, New Jersey unless the parties agree otherwise or the panel decides it in the best interest of the arbitration to conduct all or part of the arbitration at another location.

E. Pursuant to Paragraph 8 herein, all costs and expenses of said arbitration shall be borne by the Principal Surety and Co-Indemnitors, unless the panel were to rule that the parties to this June 1, 2021 Agreement would share the costs of the umpire and that each party bear its own costs, fees, and expenses of the arbitration. Each party's costs, fees, and expenses of the arbitration shall include, but not be limited to, those of each party's: arbitrator, employee(s), outside attorney(s), witness(e)s, expert(s), and/or any other person(s) or entity(ies) engaged by a party in connection with the arbitration.

15. Warranties: The parties expressly warrant and represent that they are corporations in good standing in their respective places of domicile; that the execution of this June 1, 2021 Agreement is fully authorized by each of them; that the person or persons executing this June 1, 2021 Agreement have the necessary and appropriate authority to do so; that there are no pending agreements, transactions, or negotiations to which any of them is a party that would render this June 1, 2021 Agreement or any part thereof void, voidable, or unenforceable; and that no authorization, consent, or approval of any government entity is required to make this June 1, 2021 Agreement valid and binding upon them.

16. No Assignments: The Principal Surety may not assign, transfer, or delegate any of the rights or obligations under this June 1, 2021 Agreement without the prior written consent of EVEREST. Any purported assignment, transfer, or delegation shall be deemed void and without any force or effect. In the event that the Principal Surety subsequently enters into a loss portfolio transfer, aggregate stop loss, or other agreement involving the transfer of all or part of its exposure arising from the bonds subject to the Reinsurance Contract or otherwise affecting its underwriting, claims handling, or accounting performance under the Reinsurance Contract or this Agreement, it shall (i) disclose the existence of this June 1, 2021 Agreement to that third party by providing it with a copy prior to executing any agreement with that third party; and (ii) at EVEREST'S option, require that third party to execute this June 1, 2021 Agreement as a Co-Indemnitor as a condition precedent to executing any agreement with that third party.

17. Entire Agreement: This June 1, 2021 Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes any and all previous agreements and understandings, whether written or oral.

18. Notice: Every notice required or permitted under this June 1, 2021 Agreement shall be in writing, properly addressed to the parties, and either hand delivered; sent via overnight courier or the U.S. Postal Service, first-class and certified mail - return receipt requested and postage prepaid; or sent via facsimile transmission. There shall be a rebuttable presumption that such notice was received by the other party (i) on the same date it was hand-delivered or sent by facsimile transmission, the receipt of which is electronically confirmed in writing; (ii) on the second (2^{nd}) day after being deposited with a recognized overnight courier service; or (iii) on the fifth (5^{th}) day after being deposited in the U.S. mail.

19. Choice of Law and Venue: This June 1, 2021 Agreement shall be construed in accordance with and governed by the substantive laws of New Jersey excluding New Jersey choice of law and conflict of laws principles, and the parties hereby submit to the personal jurisdiction and exclusive venue of the United States District Court for the District of New Jersey and/or to the state courts of New Jersey with respect to all matters that may arise hereunder to the extent necessary to enforce their arbitration rights under this Agreement.

20. Modifications and Waivers: No modification or waiver of the provisions of this June 1, 2021 Agreement shall be valid or binding on either party unless in writing and signed by both parties.

21. Remedies Cumulative: All remedies available to either party for breach of this June 1, 2021 Agreement are cumulative and may be exercised concurrently or separately. The exercise of any one remedy shall not be deemed an election of such remedy to the exclusion of any other remedy.

22. Enforcement Delays: Any delay or failure in enforcing any right or remedy afforded by the June 1, 2021 Agreement or by law shall not prejudice or operate to waive that right or remedy or any other right or remedy, including any remedy for a future breach of this Agreement, whether of a like or different character.

23. Severability: If any provision of this June 1, 2021 Agreement is found invalid or unenforceable by a court of competent jurisdiction, the remainder of this June 1, 2021 Agreement shall continue in full force and effect.

24. Interpretation: Each party acknowledges that it has had the opportunity to review this June 1, 2021 Agreement with the assistance of legal counsel. Consequently, the rule of construction that any ambiguity in this June 1, 2021 Agreement is to be construed against the drafting party shall be inapplicable to this June 1, 2021 Agreement and to any of its attachments. The section headings used in this June 1, 2021 Agreement are intended for convenience only and are not part of the written agreement between the parties. They shall not affect the construction and interpretation of this Agreement.

25. Binding Effect:

A. This June 1, 2021 Agreement is binding upon and shall inure to the benefit of the parties hereto and their respective heirs, legal representatives, and permitted assigns.

B. For all Subsurety Support on bonds issued by the Principal Surety and/or Co-Indemnitors, as and if applicable, in accordance with this June 1, 2021 Agreement and/or alleged to have been issued in accordance with this Agreement, the obligations of the Principal Surety, and Co-Indemnitors, if any and as applicable, under this Agreement, and as applicable, the Reinsurance Contract shall survive the termination of this June 1, 2021 Agreement and the Reinsurance Contract.

26. Execution and Counterparts: This June 1, 2021 Agreement may be executed in two or more counterparts and facsimile signatures shall be as valid and binding on the parties as if they were original signatures. Each counterpart shall be considered an original hereof, but together, they shall constitute one agreement.

IN WITNESS WHEREOF, the parties have caused this June 1, 2021 Agreement to be executed as an instrument under seal by their duly authorized representatives as of the date first written above.

EVEREST REINSURANCE COMPANY

/s/ Robert Cristiano
Authorized EVEREST signature

Robert Cristiano

Vice President - Surety
Title

[***]
Business Telephone

[***]
Business Facsimile Number

HOUSTON SPECIALTY INSURANCE COMPANY

Chase Clark
Name

VP - Ceded Re
Title

[***]
Business Telephone

Business Facsimile Number

/s/ Chase Clark
7/21/21

IMPERIUM INSURANCE COMPANY

Chase Clark
Name

VP - Ceded Re
Title

[***]
Business Telephone

Business Facsimile Number

/s/ Chase Clark
7/21/21

GREAT MIDWEST INSURANCE COMPANY

Chase Clark
Name

VP - Ceded Re
Title

[***]
Business Telephone

Business Facsimile Number

/s/ Chase Clark
7/21/21

OKLAHOMA SPECIALTY INSURANCE COMPANY

Chase Clark
Name

VP - Ceded Re
Title

[***]
Business Telephone

Business Facsimile Number

/s/ Chase Clark
7/21/21

BOSTON INDEMNITY COMPANY, INC.

Chase Clark
Name

VP - Ceded Re
Title

[***]
Business Telephone

Business Facsimile Number

/s/ Chase Clark
7/21/21

SCHEDULE A

LIST OF AUTHORIZED CUSTODIANS

1. Bryan Morse
2. Daniel B. McNally
3. Deanna Spence
4. Christopher Gagnon

SCHEDULE B

REPORTING AND NOTIFICATION/
EVEREST POWER OF ATTORNEY
AUTHORIZATION AND LIMITATIONS

EVEREST hereby grants those authorized employees of the Principal Surety listed as custodians on Schedule A (the "Custodians"), as amended from time to time, power of attorney to sign bonds on EVEREST's behalf as its attorney-in-fact for the purpose of providing Subsurety Support to the Principal Surety, as set forth in the attached Agreement, and subject to the limitations set forth below:

1. EVEREST, always in the capacity of a subsurety, may be designated as an additional surety with or as a cut-through reinsurer for the Principal Surety only. Before any Custodian may designate EVEREST as a cut-through reinsurer in connection with any bond issued by the Principal Surety, prior written authorization must be obtained from EVEREST.

2. EVEREST powers of attorney and corporate seals may not be altered or reproduced in any way.

3. The Principal Surety shall maintain in a written or electronic format acceptable to EVEREST an accurate log of all EVEREST powers of attorney issued by Custodians and render an account of such powers to EVEREST within a reasonable time after each month-end or prior to requesting an additional supply of powers from EVEREST.

4. The Principal Surety may utilize EVEREST powers of attorney only on business subject to the Reinsurance Contract and falling within the Reinsurance Contract warranty provisions. Any business not so covered must be submitted by the Principal Surety to EVEREST for a written special acceptance by an authorized EVEREST surety officer prior to an EVEREST power being affixed to a bond.

5. The Custodians are authorized to exercise EVEREST powers of attorney and to imprint EVEREST's corporate seal only as specifically directed by authorized employees of the Principal Surety and in strict compliance with this Power of Attorney Authorization and Limitations.

6. Prior to signing any bond, each attorney-in-fact shall be cautioned by the Principal Surety to ascertain that EVEREST is qualified to provide Subsurety Support to the extent necessary to secure acceptance of the given bond by the approving authority. Although generally qualified at the federal and state government levels, EVEREST does not undertake to meet the requirements of all local jurisdictions.

7. The Principal Surety shall seek the prior written approval of EVEREST before filing an EVEREST power of attorney in a court or public office where such filing justifies the general acceptance of bonds.

8. The blank certification date on each copy of the EVEREST power of attorney must be completed by the Principal Surety or the attorney-in-fact to correspond with the appropriate date of the bond to which it is affixed.

9. In addition to the classes of surely business specifically excluded in the Reinsurance Contract, the following may never be written with EVEREST providing Subsurety Support by or on behalf of the Principal Surety:

A. All business derived directly or indirectly from any Pool, Association or Syndicate;

B. Assumed reinsurance, except reinsurance from affiliates

C. Bonds of the following classification:

(1) Bank Depository Bonds;

(2) Note Guarantee Bonds;

(3) Mortgage Deficiency Bonds;

(4) Securities and Exchange Commission Liability Bonds;

(5) Patent Infringement Bonds;

(6) Dual Obligee Bonds (unless containing a savings or Los Angeles clause);

(7) Mortgage Guarantee Bonds;

(8) Credit Enhancement and Financial Guarantee Insurance or Bonds classified by the Surety Association of America Manual as (Non-Contract) classes 580, 581 or 597;

(9) All Closure and Post-Closure Bonds;

(10) Insurance Company Qualifying Bonds;

(11) SBA Guaranteed Bonds; and

(12) Bail Bonds;

(13) Remediation Bonds;

(14) Self-Insured Worker's Compensation and Deductible Guarantee Bonds;

(15) Program and/or MGA business where underwriting authority has been extended and/or delegated outside of the Principal Surety or which is reinsured under separate programs; and

(16) Bonds which are part of a larger deal structure which result in credit enhancement and/or securitization.

AMENDMENT NO. 1 TO THE JUNE 1, 2021 SUBSURETYSHIP,
POWER OF ATTORNEY, AND INDEMNIFICATION AGREEMENT

This Amendment No. 1 to the June 1, 2021 Subsuretyship, Power of Attorney, and Indemnification Agreement (the "Amendment") is dated as of January 14, 2022 (the "Amendment Date") among Everest Reinsurance Company ("Everest") and Houston Specialty Insurance Company, Imperium Insurance Company, Great Midwest Insurance Company, Oklahoma Specialty Insurance Company, and Boston Indemnity Company, Inc. (collectively referred to as the "Principal Surety").

WHEREAS, Everest and the Principal Surety have entered into a June 1, 2021 Subsuretyship, Power of Attorney, and Indemnification Agreement (the "June 1, 2021 Agreement") in connection with the Surety XOL Reinsurance Contract, effective June 1, 2021 (the "Reinsurance Contract"); and

WHEREAS Everest and the Principal Surety now seek to amend the June 1, 2021 Agreement on the terms set forth herein;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Amendments.

   a. Effective on June 1, 2021, the opening paragraph of the June 1, 2021 Agreement is amended to read as follows:

   "This **June 1, 2021 SUBSURETYSHIP, POWER OF ATTORNEY, AND INDEMNIFICATION AGREEMENT** (the "June 1, 2021 Agreement") is made this 1st day of June 2021 by and between **EVEREST REINSURANCE COMPANY** ("EVEREST"), a Delaware domiciled company with its principal offices at 100 Everest Way, Warren, New Jersey 07059 and **HOUSTON SPECIALTY INSURANCE COMPANY, IMPERIUM INSURANCE COMPANY, GREAT MIDWEST INSURANCE COMPANY,** and **OKLAHOMA SPECIALTY INSURANCE COMPANY** (hereinafter collectively referred to as the "Principal Surety") with principal offices at 800 Gessner Road, Suite 600, Houston, Texas 77024."

2. Further assurances.

   a. Representations and Warranties: Boston Indemnity Company, Inc. hereby represents and warrants that: (1) it has not issued any bond on which Everest has provided Subsurety Support; (2) Boston Indemnity Company, Inc. has not ceded to the Reinsurance Contract any bond that has Everest Subsurety Support, and; (3) Boston Indemnity Company, Inc., and/or any Custodian on behalf of Boston Indemnity Company, Inc. has not used Everest powers of attorney or Everest corporate seals with respect to, or in connection with, any bond.

   b. Boston Indemnity Company, Inc. has no rights under the June 1, 2021 Agreement: Effective June 1, 2021, Boston Indemnity Company, Inc.: (1) has no rights under the June 1, 2021 Agreement, whether known or unknown, vested or unvested, contingent, or otherwise, and; (2) Boston Indemnity Company, Inc. has no right to the use of Everest powers of attorney or Everest corporate seals and may not issue any bond with Everest Subsurety Support.

   c. Further assurances of the Principal Surety: Effective June 1, 2021, no Custodian may exercise any Everest powers of attorney or utilize Everest's corporate seals in any manner with respect to or in connection with Boston Indemnity Company, Inc. Pursuant to Paragraph 6 of the June 1, 2021 Agreement, the Principal Surety shall cooperate with Everest to obtain and promptly return to Everest all evidences of Everest powers of attorney or Everest corporate seals in the possession, custody or control of any Custodian or any other person employed by, or in any way affiliated with, Boston Indemnity Company, Inc.

3. Miscellaneous.

   a. Governing Law. This Amendment shall be construed in accordance with and governed by the substantive laws of New Jersey, excluding New Jersey choice of law and conflict of laws principles.

b. Effect of this Amendment. Except as expressly amended by this Amendment, none of the provisions, conditions, representations, warranties, obligations, covenants or agreements contained in the June 1, 2021 Agreement, and none of the rights remedies or obligations thereunder of the parties thereto are being hereby amended, modified or waived in any respect. This Amendment is not intended to constitute, nor does it constitute, an interruption, suspension of continuity, satisfaction, discharge of prior duties, novation, or termination of the security interests, liabilities, expenses or obligations under the June 1, 2021 Agreement, or the collateral required by the June 1, 2021 Agreement. This Amendment is not intended to amend, and does not amend, any term or condition of the Reinsurance Contract.

c. Modifications. No provision of this Amendment may be modified or supplemented except by a written agreement executed by each of the parties hereto.

d. Multiple Counterparts. This Amendment may be entered into in the form of two or more counterparts, each executed by one or more of the parties, and provided all parties shall so execute this Amendment, each of the executed counterparts, when duly exchanged or delivered, shall be deemed to be an original but, taken together, they shall constitute one instrument.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties, by their duly authorized representatives, have executed this Amendment as of the dates recorded below:

EVEREST REINSURANCE COMPANY

/s/ Robert Cristiano
Authorized EVEREST signature

Robert Cristiano

Vice President
Title

[***]
Business Telephone

Business Facsimile Number

HOUSTON SPECIALTY INSURANCE COMPANY

Chase Clark
Name

VP - Ceded Re
Title

[***]
Business Telephone

Business Facsimile Number

/s/ Chase Clark

IMPERIUM INSURANCE COMPANY

Chase Clark
Name

VP - Ceded Re
Title

[***]
Business Telephone

Business Facsimile Number

/s/ Chase Clark

GREAT MIDWEST INSURANCE COMPANY

Chase Clark
Name

VP - Ceded Re
Title

[***]
Business Telephone

Business Facsimile Number

/s/ Chase Clark

OKLAHOMA SPECIALTY INSURANCE COMPANY

Chase Clark
Name

VP - Ceded Re
Title

[***]
Business Telephone

Business Facsimile Number

/s/ Chase Clark

BOSTON INDEMNITY COMPANY, INC.

Chase Clark
Name

VP - Ceded Re
Title

[***]
Business Telephone

Business Facsimile Number

/s/ Chase Clark

AMENDMENT NO. 2 TO THE JUNE 1, 2021 SUBSURETYSHIP,
POWER OF ATTORNEY, AND INDEMNIFICATION AGREEMENT

This Amendment No. 2 to the June 1, 2021 Subsuretyship, Power of Attorney, and Indemnification Agreement (the "Amendment") is dated as of February 3, 2022 (the "Amendment Effective Date") among Everest Reinsurance Company ("Everest") and Houston Specialty Insurance Company, Imperium Insurance Company, Great Midwest Insurance Company, and Oklahoma Specialty Insurance Company (collectively referred to as the "Principal Surety").

WHEREAS, Everest and the Principal Surety have entered into a June 1, 2021 Subsuretyship, Power of Attorney, and Indemnification Agreement, which was subsequently amended by Amendment No. 1 to the June 1, 2021 Subsuretyship, Power of Attorney, and Indemnification Agreement (the "June 1, 2021 Agreement");

WHEREAS, Everest and the Principal Surety entered into the June 1, 2021 Agreement in connection with the Surety XOL Reinsurance Contract, effective June 1, 2021 (the "Reinsurance Contract"); and

WHEREAS Everest and the Principal Surety now seek to further amend the June 1, 2021 Agreement on the terms set forth herein;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Amendments.

    a. Effective on the Amendment Effective Date, the fifth WHEREAS clause of the June 1, 2021 Agreement is deleted in its entirety and replaced with the following:

    "**WHEREAS,** to induce EVEREST to enter into this June 1, 2021 Agreement with the Principal Surety, the Principal Surety has agreed to provide collateral in the amount of Seven Hundred Fifty Thousand Dollars ($750,000), payable in cash or letter of credit within thirty (30) calendar days of February 3, 2022."

b. Effective on the Amendment Effective Date, the final paragraph of Section 1 "Subsurety Support Limits" of the June 1, 2021 Agreement is deleted in its entirety and replaced with the following:

"Notwithstanding anything contained herein to the contrary, it is hereby understood and agreed by EVEREST and Principal Surety that where EVEREST is providing Subsurety Support to Principal Surety, the total cost to complete on all such bonds outstanding at any one time shall not exceed One Hundred Million Dollars ($100,000,000)."

c. Effective on June 1, 2021, Section 13 "Administrative Fee" of the June 1, 2021 Agreement is deleted in its entirety and replaced with the following:

"13. **Administrative Fee:** The Principal Surety shall pay EVEREST an administrative fee of: (i) Sixty Thousand Dollars ($60,000) per annum (the "Flat Fee Portion"), and; (ii) four percent (4.00%) of every dollar of premium in excess of One Million Dollars ($1,000,000) on any and all Principal Surety-issued bond business effective on or after June 1, 2021 with EVEREST on which EVEREST provides Subsurety Support (the "Variable Fee Portion").

The Flat Fee Portion of the administrative fee is payable to EVEREST within thirty (30) calendar days of June 1, 2021, and on each June 1 thereafter that this June 1, 2021 Agreement remains in force.

The Variable Fee Portion of the administrative fee is payable to EVEREST within thirty (30) calendar days of June 1, 2022, and on each June 1 thereafter that this June 1, 2021 Agreement remains in force."

2. Miscellaneous.

a. Governing Law. This Amendment shall be construed in accordance with and governed by the substantive laws of New Jersey, excluding New Jersey choice of law and conflict of laws principles.

b. Effect of this Amendment. Except as expressly amended by this Amendment, none of the provisions, conditions, representations, warranties, obligations, covenants or agreements contained in the June 1, 2021 Agreement, and none of the rights remedies or obligations thereunder of the parties thereto are being hereby amended, modified or waived in any respect. This Amendment is not intended to constitute, nor does it constitute, an interruption, suspension of continuity, satisfaction, discharge of prior duties, novation, or termination of the security interests, liabilities, expenses or obligations under the June 1, 2021 Agreement, or the collateral required by the June 1, 2021 Agreement. This Amendment is not intended to amend, and does not amend, any term or condition of the Reinsurance Contract.

c. Modifications. No provision of this Amendment may be modified or supplemented except by a written agreement executed by each of the parties hereto.

d. Multiple Counterparts. This Amendment may be entered into in the form of two or more counterparts, each executed by one or more of the parties, and provided all parties shall so execute this Amendment, each of the executed counterparts, when duly exchanged or delivered, shall be deemed to be an original but, taken together, they shall constitute one instrument.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties, by their duly authorized representatives, have executed this Amendment as of the dates recorded below:

EVEREST REINSURANCE COMPANY

/s/ Robert Cristiano
Authorized EVEREST signature

Robert Cristiano

Vice President
Title

[***]
Business Telephone

Business Facsimile Number

HOUSTON SPECIALTY INSURANCE COMPANY

Chase Clark
Name

VP - Ceded Re
Title

[***]
Business Telephone

Business Facsimile Number

/s/ Chase Clark

IMPERIUM INSURANCE COMPANY

Chase Clark
Name

VP - Ceded Re
Title

[***]
Business Telephone

Business Facsimile Number

/s/ Chase Clark

GREAT MIDWEST INSURANCE COMPANY

Chase Clark
Name

VP - Ceded Re
Title

[***]
Business Telephone

Business Facsimile Number

/s/ Chase Clark

OKLAHOMA SPECIALTY INSURANCE COMPANY

Chase Clark
Name

VP - Ceded Re
Title

[***]
Business Telephone

Business Facsimile Number

/s/ Chase Clark

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF DISCLOSED.

CONSULTING AGREEMENT

This CONSULTING AGREEMENT AND EXHIBITS (collectively, this "Agreement") is made and entered into effective as of January 1, 2022 (the "Effective Date"), by and between SKYWARD SPECIALTY INSURANCE GROUP, INC., a Delaware corporation (the "Company"), on the one hand, and SLW INTERNATIONAL, LLC ("Consultant"), and for the limited purposes in Sections 9, 10, 11 and 20, STEPHEN L. WAY ("Way"), on the other hand. Each of the foregoing is referred to herein as a "Party," and collectively referred to as the "Parties."

WHEREAS, the Company is an insurance holding company and its subsidiaries ("Subsidiaries") are insurance companies and underwriting insurance agencies engaged in the business of providing specialty insurance services;

WHEREAS, the Company wishes to engage Consultant to provide consulting services as to its Transactional Property Insurance Division (the "Business"), upon the terms and conditions set forth herein, and Consultant is willing to accept the terms and conditions of such engagement;

NOW, THEREFORE, in consideration of the mutual covenants and good and valuable consideration set forth herein, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound hereto, hereby agree as follows:

1. Independent Contractor. The Company hereby engages Consultant, and Consultant hereby accepts such engagement and agrees to perform the Services (defined below), as an independent contractor of the Company, and not as an employee, partner or joint venture, upon the terms and conditions set forth herein. Consultant shall not work from the Company offices unless approved in writing to do so by the Chief Executive Officer of the Company or his designee. Consultant shall control the hours of service under this Agreement and shall devote such time as may be reasonably necessary to perform the agreed Services.

2. Term. The term of Consultant's engagement hereunder shall begin on the Effective Date and continue until the 5:00 p.m. Central Time on December 31, 2023 (the "Term"), unless terminated pursuant to Section 12 hereof or extended by mutual agreement at least sixty (60) days prior to the end of the Term, or any extension thereof. The period of any such extension shall be deemed to be a part of the Term.

3. Consulting Services. During the Term, Consultant agrees to have Way provide services relating to the Business as specifically requested by the Company within the parameters set by the Company which are described on Exhibit 1 to this Agreement (the "Services"), as such may be modified from time to time. The Company and Consultant may agree on time constraints and/or deadlines, if applicable, and other terms with respect to Consultant's provision of the Services on a project-by-project basis. In providing the Services, Consultant shall report to [***] of the Company.

4. Consulting Fee. In consideration for the Services performed by Consultant, the Company shall pay to Consultant a consulting fee (the "Consulting Fee") at a monthly rate of $183,000 for 2022 and a monthly rate of $150,000 for 2023, payable in advance at the first of each month. The Consulting Fee includes all of Consultant's travel and expenses except for specific expenses pre-approved by [***]. As additional compensation, within the first sixty (60) days of the beginning of 2022, the Company will pay the Consultant an additional $65,000. Furthermore, Consultant will be paid a Performance Fee as set forth on Exhibit 2 (the "Performance Fee"). As an independent contractor of the Company, Consultant shall not be entitled to participate in any benefit programs which are available to the employees of the Company. Consultant shall be solely responsible for any taxes related to any Consulting Fee and Performance Fee paid under this Agreement.

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5. Expenses. For those expenses specifically approved in accordance with Section 4, Consultant shall be entitled to receive prompt reimbursement for all such expenses for which receipts are submitted, and the Company shall reimburse approved expenses within 30 days of submission of receipts by Consultant.

6. Perquisites and Facilities. During the Term, Consultant shall be entitled to and the Company shall provide for the perquisites and facilities as set forth on Exhibit 3 attached hereto.

7. Performance Standards and Compliance with Laws. Consultant shall perform skillfully and diligently all of its obligations under this Agreement, and shall do so for the mutual benefit of the Parties hereto and in accordance with the same reasonable standards as Way practiced during the years he managed the Business as an employee. Consultant shall perform the Services in compliance with: a) any and all applicable laws, rules and regulations applicable to Company or Consultant, including reinsurance intermediary licensing requirements; and b) all policies and procedures of the Company, and it is understood and agreed that Company may, in its sole discretion and upon reasonable notice to Consultant, alter, amend and/or change such policies and procedures, such changes to be provided in writing (including by email or text).

8. Insurance. Consultant shall secure and maintain errors and omissions insurance in an amount no less than that required by statute. The Company will reimburse Consultant for the cost of such insurance.

9. Confidentiality of Company Information. The Parties acknowledge and agree that in connection with, and as a consequence of, the Services to be performed by Consultant under this Agreement, Consultant and Way will be shown, provided the use of and have access to the Company's and its Subsidiaries' confidential business plans, methods of operations, employment terms and policies, compensation methods and formulas, terms of insurance coverage, insurance limits, reinsurance program structures and terms, performance standards, pricing policies, marketing strategies, records, contracts, referral sources, and other information about the Company's and its Subsidiaries' operations and business of a confidential nature (the "Confidential Information") and the Company's trade secrets, and the Company agrees to provide Consultant and Way with such Confidential Information and trade secrets as may be required in connection with Consultant's completion of the Services under this Agreement. In exchange for that promise, during the Term of this Agreement and thereafter, Consultant and Way shall not in any manner, directly or indirectly, disclose or divulge to any person or other entity whatsoever, including particularly any person or entity directly or indirectly in competition with the Company or its Subsidiaries, or use for any purpose, any such Confidential Information and trade secrets, except as required by law or to perform Consultant's duties hereunder or as expressly authorized in writing by the Company. Notwithstanding the foregoing, Consultant may disclose the terms of this Agreement to Consultant's attorney, accountant, or business advisor; *provided, however*, the confidentiality covenant of this Section 9 shall apply to such persons, and Consultant shall inform such persons of such covenants and obligations. Upon the expiration or termination of this Agreement for any reason, Consultant and Way shall immediately return to the Company any and all Confidential Information and trade secrets in Consultant's and Way's possession or control in any form, whether electronic, paper copies, or other form or format, including but not limited to, any originals or copies of, or computer discs, or other media, containing policies, procedures, records, operation or employment materials, client or customer lists and information, and financial information and Confidential Information and trade secrets, wherever located and in whatever device or place retained or stored. Consultant and Way shall not retain any Confidential Information in any form or format (e.g., computer hard drive, computer disc, flash drive, paper copies, etc.) upon the expiration or termination of this Agreement. The obligations of Consultant and Way under this Section 9 shall survive the termination of this Agreement for any reason.

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10. Non-Compete and Non-Solicitation Obligations. In exchange for the consideration specified in this Agreement, including but not limited to the promise of the Company to provide Consultant and Way Confidential Information, to enforce Consultant's and Way's obligations under this Section 10, and as a material incentive for the Company to enter into this Agreement, Consultant and Way hereby agree neither Consultant nor Way will directly or indirectly, for itself or himself or for any other person or entity:

(a) as an owner, investor, partner, shareholder, agent, representative, employee, officer, director, consultant, contractor, lender or otherwise, render services or advice to, manage, operate, finance, or control, participate in the management, operation, financing and/or control of, lend Consultant's or Way's name or any similar name to, and/or otherwise engage in, any activity related to the Business (collectively, "Restricted Activities") anywhere within the United States or anywhere else the Business is conducted during the Term.

(b) solicit or accept business from any person or entity who at that time is, or at any time from July 1, 2020 was, an insured, service provider, MGU/MGA, producer and/or broker related to the Business (each, a "Restricted Relationship"), or in any other manner influence, induce, or encourage or attempt to influence, induce or encourage any such Restricted Relationship to terminate, abandon, reduce or materially change its relationship or business with the Company during the Term.

(c) solicit, influence, induce, or encourage any then current employee of the Company or any of its Subsidiaries to leave the employment of the Company or its Subsidiaries or in any other manner interfere with such employment relationship; or employ, or otherwise engage as an employee, independent contractor, consultant, or otherwise, any then current or former employee of the Company or its Subsidiaries with whom Consultant or Way had contact from July 1, 2020, for a period of eighteen (18) months after the end of the Term; provided however, if the Company exits the Business and releases employees, this Section 10(c) shall end and Consultant shall be free to solicit and hire such employees.

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If the Company offers Consultant an extension of the Term under conditions equivalent to the terms for 2023 herein, and Consultant and/or Way reject such extension, then the Restricted Activities in Sections 10(a) and 10(b) will continue for an additional one-year period from the termination date of this Agreement.

If the Agreement is terminated by the Company for any reason or the Consultant pursuant to Sections 12(c) or 12(d), the Restricted Activities in Sections 10(a) and 10(b) will cease upon termination of the Agreement. Consultant and Way acknowledge and agree that nothing herein is intended to affect or lessen the enforceability, or change in any way Way's continuing fiduciary, non-competition, non-solicitation, and non-disclosure obligations under applicable law or otherwise, in connection with his role as a director on the Board of the Company.

11. Applicable Law, Jurisdiction and Mandatory Forum; Waiver of Jury Trial; .

(a) This Agreement is entered into under, and shall be governed for all purposes by, the laws of the State of Texas without respect to principles of conflict of law.

(b) Any suit by either of the Parties hereto to enforce any right hereunder or to obtain a declaration of any right or obligation hereunder must be brought in any state or federal court of competent jurisdiction in Harris County, Texas. The Parties hereby expressly consent to the jurisdiction of the foregoing courts for such purposes and waive any objection to jurisdiction or venue in such courts, and Consultant agrees to the appointment of the Secretary of State for the State of Texas as Consultant's agent for service of process if it is outside the range of service for courts in Harris County, Texas. THE PARTIES HEREBY WAIVE ANY RIGHTS TO A TRIAL BY JURY WITH RESPECT TO ANY CLAIM AGAINST THE OTHER PARTY, INCLUDING WITHOUT LIMITATION ANY CLAIM FOR BREACH OR ENFORCEMENT OF THIS AGREEMENT.

12. Termination. This Agreement is non-cancelable by any Party for the duration of the Term, except:

(a) The Company may cancel the Agreement with thirty (30) days' notice prior to January 1, 2023 if treaty reinsurance for the Business, acceptable to the Company in its sole discretion, is not available; or

(b) The Company may cancel the Agreement with thirty (30) days' notice prior to January 1, 2023 if the overall results of the 2022 Business, through the third quarter, do not produce $5,000,000 of net profit margin ("Net Profit Margin"). Net Profit Margin is defined by GAAP Pre-Tax Profit as defined in Exhibit 2 divided by Net Revenue applicable to the Business. "Net Revenue" is defined as the aggregate of net earned premium and any commission and fee income applicable to the Business, including Skyward Underwriters' commission and any other fee business generated by the Business.

(c) Consultant may cancel the Agreement immediately if Company's subsidiary, Houston Specialty Insurance Company ("HSIC"), is downgraded by A.M. Best below A- (Excellent) 1X, after Consultant and/or Company attempt and fail to obtain a fronting arrangement for the Business acceptable to the Company.

(d) Any party may cancel this Agreement if there is a material breach of the Agreement, including a material violation of any underwriting guidelines or parameters, any such alleged material breach to be advised in writing to the Consultant who will be given fifteen (15) days to correct such alleged material breach.

(e) The Agreement will terminate automatically upon the death or disability of Way; provided, however, that if such death or disability occurs before July 1st of any year, Way's heirs or estate will receive payment of the monthly fee through June 30th. If Way's death or disability occurs after July 1st of either year of the Term, the monthly fee will be paid to Way's heirs or estate for the remainder of that year of the Term, along the earned performance fee for the year, prorated for the period of time from the beginning of the year until Way's death or disability. "Disability" for purposes of this paragraph is defined as shall mean Way's inability, due to physical or mental incapacity, to perform the services under this Agreement, for a period of 120 consecutive calendar days, as determined by a physician selected by the Company.

13. Indemnification and Hold Harmless. The Company hereby indemnifies and holds harmless Consultant ("Indemnitee") from and against any and all losses, costs, liabilities (whether several or joint and several), claims, damages, penalties, expenses (including legal fees and expenses), judgments, fines, settlements and other amounts incurred or sustained by Indemnitee as a result of or in relation to the Consultant's provision of the Services hereunder, to the extent such claims, damages, penalties, expenses (including legal fees and expenses), judgments, fines, settlements and other amounts incurred or sustained by Indemnitee in excess of the payment limits Consultant's E&O policy.

14. Waiver; Severability. The failure of a party at any time, or from time to time, to require performance by the other party of any provision hereof shall in no way affect the rights of such party thereafter to enforce the same, nor shall the waiver by a party of any breach of any provision hereof constitute a waiver of any succeeding breach of such provision or a waiver of any breach of any other provision hereof. This Agreement is intended to be performed in accordance with, and only to the extent permitted by, all applicable laws, ordinances, rules and regulations. If any provision of this Agreement or the application thereof to any person or circumstance shall, for any reason and to any extent, be invalid or unenforceable, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby, but rather shall be enforced to the greatest extent permitted by law.

15. Entire Agreement; Amendment. This Agreement constitutes the sole existing agreement between the Company and Consultant relating to the Services provided hereunder and the subject matter hereof and expressly limited as set forth herein. This Agreement may be amended, modified, extended, superseded, or cancelled, and any of the terms, provisions, covenants, representations, or conditions contained herein may be waived, only by a written instrument executed by all Parties hereto, or in the case of a waiver, by the party waiving compliance.

16. Multiple Counterparts; Electronic Signature. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. It is hereby agreed by the Parties that an electronic signature or a copy of an original signature to this Agreement, delivered by electronic mail or other electronic means (attached to or attaching an electronic copy of the document), upon transmission and confirmation of receipt, shall have the same force and effect as the delivery of a manually executed and original copy of such signature and shall bind the Parties hereto.

17. Assignment. Consultant may not assign its rights or obligations hereunder. The rights and obligations of the Company hereunder shall inure to the benefit of and shall be binding upon the successors and assigns of the Company.

18. Legal Fees and Costs. In the event that any Party elects to incur legal expenses to enforce or interpret any provision of this Agreement, such Party will be responsible for its own legal expenses, attorneys' fees, and necessary disbursements, and no Party shall be entitled to recover its legal expenses, including, without limitation, reasonable attorneys' fees, costs, and necessary disbursements, from the other Party, regardless of who the prevailing party is in any dispute.

19. Construction. All Parties have been advised to seek their own independent counsel concerning the interpretation and legal effect of this Agreement and have obtained such counsel. Consequently, any rule of construction to the effect that any drafting ambiguities are to be resolved against the drafting party will not be employed in the interpretation of this Agreement. To the extent there is any conflict between the Separation Agreement and this Agreement, the terms of the Separation Agreement control.

20. Other representations. Consultant and Way each represent and agree that they (i) are not relying upon any statements, understandings, representations, expectations or agreements other than those expressly set forth in this Agreement; (ii) have made their own investigation of the facts and are relying solely upon their own knowledge and the advice of their own legal counsel; (iii) knowingly waive any claim that this Agreement was induced by any misrepresentation or nondisclosure and any right to rescind or avoid this Agreement based upon presently existing facts, known or unknown; (iv) have carefully read and understands the terms and effect of this Agreement; (v) are entering into this Agreement knowingly and voluntarily; (vi) are not, and would not be, otherwise entitled to the payments or benefits described herein but for their undertakings and agreements set forth herein; and (vii) the only consideration for Consultant and Way signing this Agreement are the terms stated in this Agreement and no other promises or representation of any kind have been made by any person or entity whatsoever to cause Consultant or Way to sign this Agreement. The Parties stipulate that the Company is relying upon the representations and warranties made by Consultant in this Agreement, including those set forth in this Section 20. All of the representations and warranties made by Consultant in this Agreement shall survive the execution of this Agreement.

21. Choice of Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Texas, without regard to the conflicts of laws principles thereof.

[Signature Page Follows]

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IN WITNESS WHEREOF, the undersigned have executed this Agreement, effective as of the Effective Date.

COMPANY:

SKYWARD SPECIALTY INSURANCE GROUP, INC.,
a Delaware corporation

By: /s/Andrew Robinson
Name: Andrew Robinson
Title: Chief Executive Officer

CONSULTANT:

SLW INTERNATIONAL, LLC

By: /s/Stephen L. Way
Stephen L. Way, Principal

And for the limited purpose of Sections 9, 10, 11, and 20,

STEPHEN L. WAY:

/s/Stephen L. Way

SIGNATURE PAGE TO
CONSULTING AGREEMENT

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EXHIBIT 1

SERVICES

Consultant shall provide the following Services, as such list may be supplemented or amended from time to time by mutual agreement:

- [***]. In connection therewith, Consultant shall operate exclusively in accordance with the underwriting guidelines, any existing Company procedures, whether written or not, and requirements set forth by the Company, including the following, which may be revised by the Company at any time at its sole discretion.

    1. All Business is to be written in HSIC.

    2. No policies may be written with more than a $[***] gross limit, unless specifically approved by [***], in writing, including by email or text.

    3. HSIC shall not retain more than $[***] of risk on any policy, unless specifically approved by [***], in writing, including by email or text.

    4. Consultant may place facultative reinsurance up to 100% of the risk for any policy as long as such reinsurers are rated at least A- (Excellent) IX by A.M. Best or otherwise approved on the Company's security list to be provided to Consultant.

    5. Consultant will advise Company when policy language, terms and/or forms vary materially from prior contractual wordings utilized by the Company in its ordinary course of the Business.

- Company personnel will handle all binders, policy issuance, premium payables and receivables, including reinsurance recoverables, claim handling (with assistance from Consultant to ensure relationships are maintained while protecting the Company's Balance Sheet). Consultant will also provide input for the treaty reinsurance for the Business.

- Consultant will have monthly meetings with [***], during which time the Consultant will review with the Company [***] including, bound business, upcoming accounts, claims, reinsurance and other material matters, opportunities or issues, and the Company will discuss any changes to approved reinsurers, underwriting requirements or procedures. The Company will determine what reports are needed for the monthly meetings. Company's employees will prepare the required reports with copies to the Consultant in the same distribution.

- Consultant shall cooperate fully in promoting the SVP of Transactional Property with all vendors and partners connected to the Business, as well as taking any other reasonable action requested by the Company, so that the SVP of Transactional Property can assure business continuity.

- The Consultant shall fully cooperate with the CEO of the Company in connection with all aspects of the Services provided hereunder, including without limitation, providing all documents related to the Company's Business as and when requested.

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EXHIBIT 2

PERFORMANCE FEE

Consultant shall receive a Performance Fee based on the performance of the Business. The Performance Fee will be calculated by March 31st of the year following the end of the calendar year for each year this Agreement is in effect. Payment will be made within sixty (60) days of the calculation being finalized. The Performance Fee for any year is only due if the Business has at least a $5,000,000 "GAAP Pre-Tax Profit," as defined below.

The Performance Fee is defined as:

2022 -- Five percent (5%) of the "GAAP Pre-Tax Profit" of the Business for the applicable period, subject to a maximum of $1,400,000 for the year.

2023 – Six and four/tenths percent (6.4%) of the "GAAP Pre-Tax Profit" of the Business for the applicable period, subject to a maximum of $1,800,000 for the year.

Each of the above periods, individually, a Performance Fee Calculation Year.

"GAAP Pre-Tax Profit" is defined as:

- Business gross earned premium as recognized by the Company;
- Less: All reinsurance direct cost, including reinstatements allocated proportionally to the losses creating the need for such reinstatement, including losses of the Business; (only as generated by TP claims),
- Less: The aggregate of Business net incurred losses plus net IBNR(1) for loss development;
- Less: Compensation and benefits for three (3) Transactional Property company employees, Consulting Fees paid under this Agreement, plus other direct expenses(2);
- Less: Allocated Corporate expenses (2) [***].
- Plus: All non-risk premium/overriding commissions (including Skyward Underwriters commission), as recognized by the Company on a GAAP basis, related to the Business;
- Less: Any bad debt impairment, including premium receivable bad debt and reinsurance recoverable bad debt beyond ninety (90) days due or as such debt is written off under Company practices.

(1) IBNR or redundant case reserves on all claims occurring in 2019 or prior will not be included in the Performance Fee calculation. IBNR on unearned premium prior to the beginning of the Performance Fee Calculation Year or claims occurring in the current Performance Fee Calculation Year on business written in the prior year will be part of current year Performance Fee formula – all IBNR in each calendar year will be adjusted until all claims paid or both parties agree ultimate net loss.

(2) All direct and allocated expenses are as reasonably calculated by Skyward Specialty in its discretion from time to time in accordance with the Company's regular accounting policies relating to costs and allocations.

NOTE: Company will set the loss pick on the Business with the understanding that IBNR will not be unreasonably held.

If the maximum amount of the Performance Fee is not achieved in any year, the shortfall shall be carried forward, increasing the maximum amount of Performance Fee available in the next year. In addition, if the profit achieved in the prior year would have resulted in more than the maximum Performance Fee, but for the cap on the Performance Fee, the additional profit will be carried forward and added to the current year profit in determining the Performance Fee, with the cap for the current year remaining in place. For clarity, in the case of a Performance Fee shortfall in the first year, the Performance Fee for the next year can increase by the amount of the shortfall, even if it exceeds the maximum amount of Performance Fee for the subsequent year. In the case where the profit in the first year would have provided a larger Performance Fee except for the cap, the addition profit will carry over to the next year, but the Performance Fee cap for the subsequent year shall still apply. In any case, any type of carry-forward will only be available if the GAAP Pre-Tax Profit is greater than $5,000,000 in both years (i.e., the year for which the current Performance Fee is being calculated and the following carry-forward year). The formula for calculation of the Performance Fee will not change.

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EXHIBIT 3

PERQUISITES AND FACILITIES

- During the Term, the Company shall provide for Consultant's use such informational technology and communications related equipment, support and system access as shall be necessary or useful in providing the Services.

Exhibit 10.14

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CONFIDENTIAL INFORMATION ***Execution Version***

LOSS PORTFOLIO TRANSFER AND ADVERSE DEVELOPMENT RETROCESSION AGREEMENT

by and among

R&Q BERMUDA (SAC) LIMITED
ACTING IN RESPECT OF THE HIIG SEGREGATED ACCOUNT

and

HIIG RE

and

solely for purposes of Article 7, Article 11, Article 12, Article 23, and Article 28
(and Article 2 and Article 30 to the extent relating to any of the foregoing)
HOUSTON SPECIALTY INSURANCE COMPANY, IMPERIUM INSURANCE COMPANY, AND GREAT MIDWEST INSURANCE COMPANY

Dated as of April 1, 2020

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LOSS PORTFOLIO TRANSFER AND ADVERSE DEVELOPMENT
RETROCESSION AGREEMENT

This LOSS PORTFOLIO TRANSFER AND ADVERSE DEVELOPMENT RETROCESSION AGREEMENT (this "Retrocession Agreement"), dated as of April 1, 2020, is made and entered into by and among HIIG Re, a Cayman Islands corporation (the "Reinsurer"), R&Q Bermuda (SAC) Limited, a Bermuda limited company, acting in respect of the HIIG Segregated Account (in such capacity, the "Retrocessionaire"), and, solely for purposes of Article 7, Article 11, Article 12, Article 23, and Article 28 (and Article 2 and Article 30 to the extent relating to any of the foregoing), Houston Specialty Insurance Company, a Texas domiciled insurance company, Imperium Insurance Company, a Texas domiciled insurance company, and Great Midwest Insurance Company, a Texas domiciled insurance company, (each a "Company," and collectively, the "Companies").

W I T N E S S E T H:

WHEREAS, the Companies and Oklahoma Specialty Insurance Company, each an affiliate of Reinsurer, underwrote certain insurance programs (the "Reinsured Business") which Reinsurer reinsured in accordance with that certain Loss Portfolio Transfer and Adverse Development Reinsurance Agreement by and between Companies and Reinsurer, dated as of the date hereof and attached hereto as Exhibit B (the "Reinsurance Agreement");

WHEREAS, Reinsurer desires to obtain retrocession coverage for certain of the Reinsurer's obligations under the Reinsurance Agreement with respect to such portion of the Reinsured Business as is hereinafter defined as the Subject Business, and Retrocessionaire desires to provide the same, under and subject to the terms and conditions set forth in this Retrocession Agreement; and

WHEREAS, on the date hereof, concurrent with the execution and delivery of this Retrocession Agreement, each Company individually, the Reinsurer, the Retrocessionaire and The Bank of New York Mellon shall enter into certain Statutory Trust Agreements, pursuant to which Retrocessionaire shall collateralize its obligations in respect of Ultimate Net Loss reinsured hereunder.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, and intending to be legally bound hereby, Reinsurer and Retrocessionaire hereby agree as follows:

ARTICLE 1

BUSINESS COVERED

A. This Retrocession Agreement applies to all Ultimate Net Loss that is paid or payable by Reinsurer on and after the Effective Date in respect of the Subject Business, subject to all the terms and conditions of this Retrocession Agreement.

B. The Retrocessionaire's liability under this Retrocession Agreement shall commence at the Effective Time, and all reinsurance of Ultimate Net Loss ceded hereunder is subject to the same risks, terms, rates, conditions, assessments, interpretations, waivers, modifications, alterations and cancellations as the respective Policies to which this Retrocession Agreement applies, except as may be expressly modified by the specific terms and conditions of this Retrocession Agreement, the true intent of this Retrocession Agreement being that the Retrocessionaire shall, except as may be expressly modified by the specific terms and conditions of this Retrocession Agreement, (i) follow the fortunes of the Reinsurer and the Companies, and (ii) the Retrocessionaire shall be bound, without limitation, by all payments and settlement entered into by or on behalf of the Reinsurer or the Companies, including (for the avoidance of doubt) any payments or settlements entered into from the Effective Date to the date hereof.

C. Should any regulatory or other legal restriction of any applicable jurisdiction require modification of any Policy to which this Retrocession Agreement applies, or should any such Policy be modified in accordance with its terms or with consent of the Retrocessionaire, the liability of the Retrocessionaire will follow that of the Reinsurer and the Companies, subject to the express exclusions set forth herein and the other terms and conditions of this Retrocession Agreement.

ARTICLE 2

DEFINITIONS

The Recitals are incorporated into this Retrocession Agreement as if set forth at length herein. Capitalized terms as used in this Retrocession Agreement (including in the Recitals and Article 1) shall have the meanings set forth below throughout this Retrocession Agreement:

"Actuary's Rolled Amounts" has the meaning provided under the Article entitled **ROLL FORWARD OF ORIGINAL AMOUNTS**.

"Aggregate Limit" has the meaning provided under the Article entitled **RETROCESSION COVERAGE**.

"Agreement Deadline" has the meaning provided under the Article entitled **ROLL FORWARD OF ORIGINAL AMOUNTS**.

"Allocated Loss Adjustment Expenses" means all expenses and costs sustained, without duplication, by the Reinsurer or the Companies in connection with the adjustment, defense, settlement or litigation of claims or suits, satisfaction of judgments, or resistance to or negotiations concerning a Loss or potential Loss under specific Policies. Allocated Loss Adjustment Expenses shall include (i) the expenses and costs of TPAs (which, for the avoidance of doubt, shall not constitute Unallocated Loss Adjustment Expenses), (ii) legal expenses and costs incurred in connection with coverage analysis and questions regarding specific claims and legal actions assignable to a specific Policy, including declaratory judgment actions connected thereto (whether or not a Loss is incurred), (iii) all interest on judgments, and (iv) expenses and costs sustained to obtain recoveries, salvages or other reimbursements, or to secure the reversal or reduction of a verdict or judgment. Allocated Loss Adjustment Expenses shall not include any normal overhead, office expenses, fees, commissions, salaries and other employee compensation, and other similar expenses of the Reinsurer, TPAs, or the Companies, whether or not incurred in connection with adjusting a Loss, which shall be termed the "Unallocated Loss Adjustment Expenses."

"Board" has the meaning provided under the Article entitled **ARBITRATION**.

"Brokerage" means the brokerage fee payable to Guy Carpenter, LLC by the Reinsurer on behalf of the Retrocessionaire in respect of the transactions contemplated herein, in the amount of [***].

"Business Day" means a day other than (i) a Saturday; (ii) a Sunday; or (iii) a day on which banking institutions or trust companies in Texas, the Cayman Islands, or Bermuda, are authorized or required by applicable Law or executive order to remain closed.

"Ceded Reserves" means the Reserves for Ultimate Net Loss ceded to the Reinsurer under the Reinsurance Agreement in respect of Subject Business (including, for the avoidance of doubt, reserves for IBNR), calculated in accordance with SAP for the Companies.

"Code" means the U.S. Internal Revenue Code of 1986, as amended.

"Collateral Deficit" has the meaning provided under the Article entitled **COLLATERAL; STATUTORY TRUST ACCOUNTS; CREDIT FOR REINSURANCE**.

"Collateral Dispute Notice" has the meaning provided under the Article entitled **COLLATERAL; STATUTORY TRUST ACCOUNTS; CREDIT FOR REINSURANCE**.

"Collateral Excess" has the meaning provided under the Article entitled **COLLATERAL; STATUTORY TRUST ACCOUNTS; CREDIT FOR REINSURANCE**.

"Collateral Funds" has the meaning provided under the Article entitled **COLLATERAL; STATUTORY TRUST ACCOUNTS; CREDIT FOR REINSURANCE**.

"Collateral Offset" has the meaning provided under the Article entitled **COLLATERAL; STATUTORY TRUST ACCOUNTS; CREDIT FOR REINSURANCE**.

"Company" and "Companies" have the meanings provided under the Preamble to this Retrocession Agreement.

"Confidential Information" has the meaning provided under the Article entitled **CONFIDENTIALITY**.

"Deductible" means One Hundred Five Million Dollars ($105,000,000.00), which amount shall be rolled forward pursuant to the Article entitled **ROLL FORWARD OF ORIGINAL AMOUNTS**.

"Deemed Amounts" has the meaning provided under the Article entitled **REINSURANCE WARRANTY**.

"Disclosing Party" has the meaning provided under the Article entitled **CONFIDENTIALITY**.

"Doctrine" has the meaning provided under the Article entitled **ACCESS TO RECORDS**. "Effective Date" means April 1, 2020.

"Effective Time" means 12:00:01 a.m. Central Time on the Effective Date.

"Eligible Assets" means cash (United States legal tender), certificates of deposit (issued by a bank organized under the laws of the United States, or located in the United States, and payable in United States legal tender), or investments of the types permitted by Texas Insurance Code § 493.104; provided that such investments are issued by an institution that is not the parent, subsidiary, or affiliate of any of the Companies, the Reinsurer or the Retrocessionaire and such investments comply with the investment guidelines agreed by the Companies, the Reinsurer and the Retrocessionaire. The Companies, the Reinsurer and the Retrocessionaire agree that "Eligible Assets" shall not include any assets held or principally traded outside the United States. The Parties further agree that the defined term "Eligible Assets" do not include mortgages, collateralized debt obligations, collateralized loan obligations, real estate or derivatives. Additionally, to be an Eligible Asset, an investment must be interest bearing, interest accruing with a specific maturity date on which redemption is to be made at stated value, and not in default and shall otherwise qualify under Texas Insurance Law.

"Extra Contractual Obligations" has the meaning provided under the Article entitled **EXTRA CONTRACTUAL OBLIGATIONS/LOSS EXCESS OF POLICY LIMITS**.

"Fair Market Value" has the meaning provided under the Statutory Trust Agreements.

"FET" has the meaning provided under the Article entitled **FEDERAL EXCISE TAX**.

"Governmental Authorities" means collectively any applicable federal, state, local or foreign governmental, administrative or regulatory authority, court, agency or instrumentality, including the Texas Department of Insurance.

"Group A Participation Attachment Point" has the meaning provided under the Article entitled **RETROCESSION COVERAGE & APPLICATION OF DEDUCTIBLE**.

"Group A Policies" has the meaning set forth under the definition of Subject Business herein.

"Group A Sublimit" has the meaning provided under the Article entitled **RETROCESSION COVERAGE & APPLICATION OF DEDUCTIBLE**.

"Group B Participation Attachment Point" has the meaning provided under the Article entitled **RETROCESSION COVERAGE & APPLICATION OF DEDUCTIBLE**.

"Group B Policies" has the meaning set forth under the definition of Subject Business herein.

"Group B Sublimit" has the meaning provided under the Article entitled **RETROCESSION COVERAGE & APPLICATION OF DEDUCTIBLE**.

"IBNR" means incurred but not reported losses, as calculated in accordance with SAP for the Companies.

"Inuring Reinsurance" means reinsurance or retrocession coverages and related recoverables (as applicable) for the benefit of any of the Companies from unaffiliated reinsurance companies to the extent covering the Subject Business which were procured prior to the earlier to occur of the date hereof and the Effective Date, which shall be subject to the provisions of Article 8.

"Investment Manager" has the meaning provided under the Article entitled **COLLATERAL; STATUTORY TRUST ACCOUNTS; CREDIT FOR REINSURANCE**.

"IRS" means the U.S. Internal Revenue Service.

"Law" means any federal, state or local law, statute, ordinance, rule, regulation, or principle of common law or equity imposed by or on behalf of a Governmental Authority.

"Loss(es)" means, without duplication, all amounts paid or payable by the Reinsurer, the Companies or Oklahoma Specialty Insurance Company arising (i) under any Policy, subject to the original Policy terms and limit (or any changes to such Policy terms or limit required by applicable Law or approved in writing by the Retrocessionaire) or (ii) out of escheat or unclaimed property Laws applicable to the Policies. Losses shall not include Allocated Loss Adjustment Expenses.

"Loss Excess of Policy Limits" has the meaning provided under the Article entitled **EXTRA CONTRACTUAL OBLIGATIONS/LOSS EXCESS OF POLICY LIMITS**.

"Minimum Notional Amount" has the meaning provided under the Article entitled **REINSURANCE WARRANTY**.

"Net Ceded Reserves" means the Ceded Reserves which, subject to Article 5, are ceded to the Retrocessionaire hereunder. For the avoidance of doubt, Net Ceded Reserves shall be net of:

1. the amount of all Inuring Reinsurance; and

2. all salvage, subrogation and other recoverables actually received by or offset for the account of the Reinsurer in respect therefor.

"Net Loss" means, without duplication, all Loss, Allocated Loss Adjustment Expenses, Extra Contractual Obligations, and Loss Excess of Policy Limits, payable on and after the Effective Date in respect of the Subject Business and ceded by the Companies to the Reinsurer pursuant to the Reinsurance Agreement.

"Net Premium" has the meaning provided under the Article entitled **PREMIUM**.

"Notional Amount" has the meaning provided under the Article entitled **REINSURANCE WARRANTY**.

"NPPI" has the meaning provided under the Article entitled **PRIVACY & PROTECTION OF DATA**.

"Original Calculation Date" has meaning provided under the Article entitled **ROLL FORWARD OF ORIGINAL AMOUNTS**.

"Party" and "Parties" means either or both, as applicable, the Reinsurer and the Retrocessionaire and, for purposes of Article 7, Article 11, Article 12, Article 23, and Article 28 (and Article 2 and Article 30 to the extent relating to any of the foregoing), shall mean the Reinsurer, the Retrocessionaire and the Companies.

"PHI" has the meaning provided under the Article entitled **PRIVACY & PROTECTION OF DATA**.

"Policy(ies)" means each of the binders, policies, slips, line slips and other agreements of insurance , including all endorsements, riders and supplements thereto and all amendments thereof, in each case, of the Companies or indemnity reinsured by the Companies from Oklahoma Specialty Insurance Company.

"Premium" shall mean Ninety Seven Million One Hundred Thousand Dollars ($97,100,000.00).

"Quarterly Funding Report" has the meaning provided in the Article entitled **COLLATERAL; STATUTORY TRUST ACCOUNTS; CREDIT FOR REINSURANCE**.

"R&Q" means R&Q Bermuda (SAC) Limited.

"Receiving Party" has the meaning set forth under the Article entitled **CONFIDENTIALITY**.

"Reinsurance Agreement" has the meaning set forth under the Recitals.

"Reinsurance Transaction Agreements" as the meaning set forth under the Article entitled **ARBITRATION**.

"Reinsurance Warranty Amount" has the meaning set forth under the Article entitled **REINSURANCE WARRANTY**.

"Reinsured Business" has the meaning set forth under the Recitals.

"Reinsurer" has the meaning set forth under the Preamble.

"Reports" has the meaning set forth under the Article entitled **REPORTS AND SETTLEMENTS**.

"Representatives" has the meaning set forth under the Article entitled **CONFIDENTIALITY**.

"Required Collateral Amount" has the meaning provided in the Article entitled **COLLATERAL; STATUTORY TRUST ACCOUNTS; CREDIT FOR REINSURANCE**.

"Reserves" means, with respect to any insurer or reinsurer, as required by SAP or applicable Law of the jurisdiction of domicile of such insurance company, reserves (including any gross, net and ceded reserves, as applicable), funds or provisions for losses, claims (including reserves for IBNR), unearned premiums, costs and expenses (including Allocated Loss Adjustment Expenses).

"Retrocession Agreement" has the meaning set forth under the Preamble. "Retrocessionaire" has the meaning set forth under the Preamble.

"Retrocessionaire's Adjustment Notice" has the meaning set forth under the Article entitled **ROLL FORWARD OF ORIGINAL AMOUNTS**.

"Retrocessionaire's Agent for Process" has the meaning set forth under the Article entitled **SERVICE OF SUIT**.

"Roll Forward Agreement Date" has the meaning set forth under the Article entitled **ROLL FORWARD OF ORIGINAL AMOUNTS**.

"Rolled Amount" has the meaning set forth under the Article entitled **ROLL FORWARD OF ORIGINAL AMOUNTS**.

"SAP" means, as to any insurer or reinsurer, the statutory accounting practices and principles prescribed or permitted by the Governmental Authority responsible for the regulatory of insurance and reinsurance in the jurisdiction of domicile of such insurer or reinsurer.

"Statement of Rolled Amounts" has the meaning set forth under the Article entitled **ROLL FORWARD OF ORIGINAL AMOUNTS**.

"Statutory Trust Account(s)" has the meaning set forth under the Article entitled **COLLATERAL; STATUTORY TRUST ACCOUNTS; CREDIT FOR REINSURANCE**.

"Statutory Trust Agreement(s)" means the Statutory Trust Agreements the form of which is attached as Exhibit C hereto.

"Subject Business" means

(a) the Policies in respect of the business identified as "Group A" in Exhibit A, in each case, incepting prior to the date specified therein; and

(b) the Policies in respect of the business identified as "Group B" in Exhibit A, in each case, incepting prior to the applicable date specified therein.

"Term" has the meaning set forth under the Article entitled **COMMENCEMENT AND TERMINATION**.

"TPAs" means any and all third party administrators handling claims or performing other services in connection with the Subject Business.

"Transaction Agreements" means this Retrocession Agreement, the Reinsurance Agreement, and the Statutory Trust Agreements.

"Trustee" means the trustee of the Statutory Trust Accounts.

"Ultimate Net Loss" means all Net Loss, which is:

(1) net of:

i. the amount of all Inuring Reinsurance; and

ii. all salvage, subrogation and recoverables (other than the amount of all Inuring Reinsurance) received by or offset for the account of the Reinsurer in respect therefor;

and

(2) subject to the Aggregate Limit and other conditions and limitations provided under the Article entitled **RETROCESSION COVERAGE**.

In the event of insolvency of the Reinsurer, "Ultimate Net Loss" shall mean the amount of Ultimate Net Loss which the insolvent Reinsurer has incurred (or may incur) or is (or may become) liable for and payment by the Retrocessionaire shall be made to the receiver or statutory successor of the Reinsurer in accordance with the provisions of the Article entitled **INSOLVENCY**. Nothing in this Retrocession Agreement shall be construed to mean Losses are not recoverable until the final Ultimate Net Loss to the Reinsurer has been ascertained.

ARTICLE 3

COMMENCEMENT AND TERMINATION

The reinsurance coverage hereunder shall incept at the Effective Time and shall remain in effect until the earliest of the following (the "Term"):

1. the date on which the Aggregate Limit is exhausted by payments in respect of paid Ultimate Net Loss made by the Retrocessionaire;

2. the date on which all liabilities of the Reinsurer in respect of Net Loss are extinguished and all amounts due to the Reinsurer (or its statutory successor or receiver) under this Retrocession Agreement with respect to Ultimate Net Loss have been paid;

3. the date on which this Retrocession Agreement is terminated upon mutual agreement of the Reinsurer and the Retrocessionaire; or

4. the date on which this Retrocession Agreement is commuted pursuant to the Article entitled **COMMUTATION**.

ARTICLE 4

EXCLUSIONS

This Retrocession Agreement does not apply to and specifically excludes:

1. Net Loss paid or booked as paid by the Companies or Reinsurer before the Effective Date;

2. Unallocated Loss Adjustment Expenses;

3. Any reinstatement or other premiums due under Reinsurer's or any Company's existing reinsurance arrangements to the extent such existing reinsurance arrangements do not inure to the benefit of this Retrocession Agreement; and

4. Any payment of profit commission or similar arrangement due from Reinsurer or Companies to any other reinsurer or any other party in respect of the Subject Business.

ARTICLE 5

RETROCESSION COVERAGE & APPLICATION OF DEDUCTIBLE

A. The Retrocessionaire hereby agrees to reimburse the Reinsurer for one hundred percent (100%) of the Ultimate Net Loss with respect to the Subject Business, subject to the limitations provided in this Article 5.

B. Retrocessionaire agrees to reinsure and (subject to the Deductible and the Aggregate Limit) indemnify Reinsurer for Ultimate Net Loss in the amounts and subject to the conditions set forth below:

1. Group A. Retrocessionaire agrees to reinsure Ultimate Net Loss and (subject to the Deductible and the Aggregate Limit) indemnify Reinsurer for paid Ultimate Net Loss, in each case, arising out of or relating to Group A Policies in the amounts set forth as follows:

a. Retrocessionaire shall be liable for one hundred percent (100%) of the Ultimate Net Loss on the Group A Policies for the first Twenty Five Million Dollars ($25,000,000.00) of such Ultimate Net Loss ("Group A Participation Attachment Point"); and

b. In addition to the amount set forth in clause B.1.a above, Retrocessionaire shall be liable for fifty percent (50%) of every dollar incurred of Ultimate Net Loss on the first Five Million Dollars ($5,000,000.00) of Ultimate Net Loss on Group A Policies that exceeds the Group A Participation Attachment Point, up to an aggregate amount of Two Million Five Hundred Thousand Dollars ($2,500,000.00);

c. Reinsurer shall retain hereunder (1) fifty percent (50%) of every dollar of Ultimate Net Loss on the first Five Million Dollars ($5,000,000.00) of Ultimate Net Loss on Group A Policies that exceeds the Group A Participation Attachment Point, up to an aggregate amount of Two Million Five Hundred Thousand Dollars ($2,500,000.00);

d. Net Loss (and Inuring Reinsurance and all salvage, subrogation and other recoverables received by or offset for the account of the Reinsurer in respect of any of the foregoing) that would otherwise constitute Ultimate Net Loss on Group A Policies but that are incurred (or that correspond to Net Loss) in excess of the first net aggregate Thirty Million Dollars ($30,000,000.00) of such Ultimate Net Loss ceded hereunder (the "Group A Sublimit") shall be disregarded and shall not constitute Ultimate Net Loss.

2. Group B. Retrocessionaire agrees to reinsure Ultimate Net Loss and (subject to the Deductible and the Aggregate Limit) indemnify Reinsurer for paid Ultimate Net Loss, in each case, arising out of or relating to Group B Policies, in the amounts set forth as follows:

a. Retrocessionaire shall be liable for one hundred percent (100%) of the Ultimate Net Loss on the Group B Policies for the first One Hundred Fifty Million Dollars ($150,000,000.00) of such Ultimate Net Loss ("Group B Participation Attachment Point"); and

b. In addition to the amount set forth in clause B.2.a above, Retrocessionaire shall be liable for fifty percent (50%) of every dollar incurred of Ultimate Net Loss on the first Seventy Million Dollars ($70,000,000.00) of Ultimate Net Loss on Group B Policies that exceeds the Group B Participation Attachment Point, up to an aggregate amount of Thirty Five Million Dollars ($35,000,000.00) of such Ultimate Net Loss;

c. Reinsurer shall retain hereunder fifty percent (50%) of every dollar of Ultimate Net Loss on the next Seventy Million Dollars ($70,000,000.00) of Ultimate Net Loss on Group B Policies that exceeds the Group B Participation Attachment Point, up to an aggregate amount of Thirty Five Million Dollars ($35,000,000.00) of such Ultimate Net Loss;

d. In addition to the amounts set forth in clauses B.2.a and b, Retrocessionaire shall be liable for one hundred percent (100%) of Ultimate Net Loss on the Group B Policies that is in excess of Two Hundred Twenty Million Dollars ($220,000,000.00) of such Ultimate Net Loss, up to an aggregate amount of Thirty-Six Million Dollars ($36,000,000.00) of such Ultimate Net Loss; and

e. Net Loss (and Inuring Reinsurance and all salvage, subrogation and other recoverables actually received by or offset for the account of the Reinsurer in respect of any of the foregoing) that would otherwise constitute Ultimate Net Loss on Group B Policies but that are incurred (or that correspond to Net Loss incurred) in excess of the first net aggregate Two Hundred Fifty Six Million ($256,000,000.00) of such Ultimate Net Loss ceded hereunder (the "Group B Sublimit") shall be disregarded and shall not constitute Ultimate Net Loss.

3. Retrocessionaire's maximum aggregate limit of liability for indemnification of paid Ultimate Net Loss shall in no event exceed One Hundred Forty Three Million Five Hundred Thousand Dollars ($143,500,000.00) (the "Aggregate Limit"), being the sum of the maximum amounts payable by Retrocessionaire under Section B of this Article 5 less the Deductible. For the avoidance of doubt, the Aggregate Limit shall be rolled forward after the date hereof pursuant to the Article entitled **ROLL FORWARD OF ORIGINAL AMOUNTS**.

C. Application of Deductible

1. Prior to any cash settlement by the Retrocessionaire to cover its liability for paid Ultimate Net Losses, Reinsurer shall apply the Deductible funds to the settlement of the Retrocessionaire's liability for paid Ultimate Net Losses, which shall erode the amount remaining in respect of the Group A Sublimit and the Group B Sublimit but shall not erode the amount remaining in respect of the Aggregate Limit.

2. For the avoidance of doubt, Reinsurer shall not apply the Deductible toward payment of its obligations under Sections B.1.c. and B.2.c. above.

3. Furthermore, Reinsurer shall not apply the Deductible toward any Ultimate Net Loss incurred (A) in respect of the Group A Policies, in excess of the Group A Sublimit or (B) in respect of the Group B Policies, in excess of the Group B Sublimit, which liabilities shall not, in either case, constitute Ultimate Net Loss.

ARTICLE 6

PREMIUM

A. The payment of Premium to the Retrocessionaire hereunder includes the amount due in respect of the Brokerage and FET assessed on the amount of such Premium (the "Net Premium").

B. On the date hereof, the Reinsurer shall transfer the Premium due to Retrocessionaire under Section A above. Pursuant to this Retrocession Agreement, Reinsurer shall transfer (less the amount of Brokerage and FET imposed on the Premium transferred to the Retrocessionaire hereunder, which Brokerage shall be paid by Reinsurer to Guy Carpenter and which FET shall be withheld and remitted by Reinsurer in accordance with Article 20) directly to the Statutory Trust Accounts described in Article 11 below, as more particularly set forth in such Article 11 and in the Statutory Trust Agreements.

ARTICLE 7

ROLL FORWARD OF ORIGINAL AMOUNTS

A. The Reinsurer and the Retrocessionaire agree and acknowledge that certain sums set forth in this Retrocession Agreement have been calculated as of June 30, 2019 (the "Original Calculation Date"). Consequently, at the Effective Time there will have been changes to Net Ceded Reserves, paid Losses and other figures since the Original Calculation Date. Accordingly, the Reinsurer shall roll forward the following amounts in accordance with the procedures set forth on Exhibit D to reflect, among other things, claims reported and paid claims subject to this Retrocession Agreement under the Policies covered hereunder from the Original Calculation Date to the last day of the month ending prior to the date hereof (such date, the "Updated Calculation Date" and such amounts, the "Rolled Amounts"):

1. Net Ceded Reserves, calculated as of the Updated Calculation Date;

2. The Deductible;

3. The Aggregate Limit;

4. The Group A Participation Attachment Point, Group B Participation Attachment Point, Group A Sublimit, and Group B Sublimit; and

5. The Required Collateral Amount, calculated as of the Updated Calculation Date.

B.

1. The Reinsurer shall deliver to Retrocessionaire, within five (5) Business Days after the date hereof, a statement setting forth amounts from the Original Calculation Date and the Rolled Amounts (the "Statement of Rolled Amounts"), together with the backup documentation and information reasonably necessary to verify the Rolled Amounts. In addition, Reinsurer shall provide any other information reasonably requested by the Retrocessionaire in connection therewith.

2. Within ten (10) Business Days of receipt of the Reinsurer's Statement of Rolled Amounts (the "Agreement Deadline"), the Retrocessionaire shall advise the Reinsurer, in writing, of its agreement or disagreement with the calculation of the Rolled Amounts ("Retrocessionaire's Adjustment Notice"). If the Retrocessionaire agrees with such calculation or fails to notify the Reinsurer of its agreement or disagreement with such calculation by the Agreement Deadline, then the Statement of Rolled Amounts shall be deemed final and binding on the parties.

3. If the Retrocessionaire has any good faith disagreement to the Reinsurer's calculation of the Rolled Amounts, then within ten (10) Business Days following the delivery of the Retrocessionaire's Adjustment Notice, the Parties shall use good faith efforts to mutually agree to the Rolled Amounts. The Parties hereby acknowledge and agree that either Party's ability to object to Rolled Amounts in accordance with this Section is preclusive of all other rights of such Party to challenge such Rolled Amounts.

4. In the event the Parties are unable to reach agreement as to the Rolled Amounts within ten (10) Business Days following the delivery of the Retrocessionaire's Adjustment Notice, the Reinsurer and the Retrocessionaire shall, mutually appoint an independent actuary or, in the event that they fail to agree on the selection of an independent actuary, within ten (10) Business Days thereafter, each Party shall name three independent actuary candidates of which the other Party shall decline two, and the selection of the independent actuary as between the two remaining independent actuary candidates shall be made by the Party winning a coin toss. If either Party fails to provide such three names within such ten (10) Business Day period, the other Party shall select the independent actuary. All independent actuary candidates shall be disinterested in the outcome and shall be Fellows of the Society of Actuaries/Fellows of the Casualty Actuarial Society. The cost of the independent actuary selected shall be split evenly between the Reinsurer and the Retrocessionaire. The independent actuary's determination of the Rolled Amounts (the "Actuary's Rolled Amounts") shall be final and binding on the Parties. The Parties shall instruct the independent actuary to limit its review to matters objected to by the Retrocessionaire and not resolved by written agreement of the Parties.

5. The independent actuary shall act as an expert, not as an arbitrator, and neither the determination of the independent actuary, nor this Retrocession Agreement to submit to the determination of the independent actuary, shall be subject to or governed by the Federal Arbitration Act, 9 U.S.C. § 1 et seq., or any state arbitration law or regime.

6. The earliest of the dates when (i) the Retrocessionaire timely notifies the Reinsurer of its acceptance of the Rolled Amounts by delivery of the Retrocessionaire's Adjustment Notice, (ii) the Agreement Deadline passes and the Retrocessionaire fails to notify the Reinsurer of its disagreement with the Rolled Amounts by timely delivery of the Retrocessionaire's Adjustment Notice, (iii) in the event that Retrocessionaire disagrees with the Rolled Amounts by timely delivery of the Retrocessionaire's Adjustment Notice, (A) the date when the Parties mutually agree to the Rolled Amounts or (B) the date when the Parties receive the Actuary's Rolled Amounts, in each case, shall be known as the "Roll Forward Agreement Date." Any amounts due and owing between the Parties in respect of this Article 7 will be settled within five (5) Business Days of the Roll Forward Agreement Date.

7. In the event that between the Original Calculation Date and the Effective Time there is an event, circumstance, development, change or occurrence which, individually or together with any other event, change or occurrence, has, or would reasonably be expected to have, a material adverse effect (i) on the financial condition or results of operations of Companies or Reinsurer, or (ii) on the Subject Business, or (iii) on the Retrocessionaire's financial obligations hereunder, the amount of Premium, shall be recalculated to put the Parties in as close an economic position as is reasonably possible under this Retrocession Agreement as they would have been had such material adverse effect not occurred. In the event that the Parties disagree on the amount of the recalculated Premium, the parties shall utilize the procedure set forth in Article 15 to determine the amount of the recalculated Premium. At its election, the Companies shall be a party to any arbitration pursuant to Article 15 of this Retrocession Agreement concerning any adjustment to Premium pursuant to this Article 7.

ARTICLE 8

REINSURANCE WARRANTY

A. The Parties have agreed that a certain amount of reinsurance recoverables will be deemed collected under the Inuring Reinsurance (the "Deemed Amount") and applied Ultimate Net Loss. Reinsurer hereby agrees that a certain amount of reinsurance recoverables in excess of the Deemed Amounts shall be further deemed recovered, up to [***] (the "Reinsurance Warranty Amount"), determined in accordance with the provisions of this Article 8. The Reinsurer shall perform the calculation described below, measured from the Original Calculate Date, once per every calendar quarter occurring after the exhaustion of the Deductible and shall deliver its calculations to the Retrocessionaire within ten (10) Business Days following the last day of each such quarter.

B. To determine the amount of the Reinsurance Warranty Amount (if any) to be applied to Ultimate Net Loss, the following calculation is conducted:

Step 1. Determine the "Notional Amount," which shall be, as of any date of determination, an amount equal to the sum of following:

(i) [***]; ***less***

(ii) [***]; ***plus***

(iii) Interest on the sum of (i) and (ii), charged at Two Percent (2%) per annum, calculated on an annual basis from the date hereof to the date of determination.

Step 2. Compare the Notional Amount to the "Minimum Notional Amount," which shall be, as of any date of determination, an amount equal to the lesser of:

(i) [***]; or

(ii) the greater of:

(a) [***]; and

(b) [***] less the Notional Amount calculated as of such date of determination.

If the Notional Amount determined pursuant to Step 1 is less than the Minimum Notional Amount determined pursuant to Step 2, the calculation continues at Step 3. If, as of any date of determination, the Notional Amount is greater than the Minimum Notional Amount, then the Deemed Amounts are satisfied and the Retrocessionaire shall not be entitled to any further deemed amounts applied toward Ultimate Net Loss in respect of the Reinsurance Warranty Amount (and, for the avoidance of doubt, the calculation shall not continue to Step 3).

Step 3. Calculate the "Additional Excess Recoverables" as follows:

(i) for non-proportional reinsurance recoveries – non-proportional Inuring Reinsurance constituting Ultimate Net Losses on Group B Policies ***minus*** [***]; ***plus***

(ii) for proportional reinsurance recoveries – proportional Inuring Reinsurance constituting Ultimate Net Losses on Group B Policies minus [***].

The amount of the Additional Excess Recoverables is applied to reduce the amount of the Reinsurance Warranty Amount applicable to Ultimate Net Loss.

See Exhibit E for an example calculation of this reinsurance warranty.

C. For purposes of the calculation detailed in this Article 8, recoveries on the following types of Inuring Reinsurance shall count towards the satisfaction of the Additional Excess Recoverables: facultative (whether proportional or excess of loss), excess of loss, reinsurance covering excess liability insurance, and other proportional reinsurance.

D. Inuring Reinsurance shall not diminish and Retrocessionaire's liability hereunder shall not be increased by reason of the Reinsurer's or the Companies' inability to collect from any other reinsurers any amounts which are included in Inuring Reinsurance hereunder, whether such inability to collect arises from (i) the insolvency of such other reinsurers, (ii) breach of the agreements with such other reinsurers, (iii) the presence of any "net retained lines" or similar provisions in any agreements with such reinsurers which prevent the Reinsurer or the Companies from recovering such Inuring Reinsurance, (iv) the fact that agreements with such other reinsurers are no longer in force or became terminated, (v) the fact that the Reinsurer or the Companies failed to timely pay any reinsurance reinstatement premium, or (vi) any other reason whatsoever, regardless of whether Retrocessionaire, Reinsurer, or Companies were aware of such reason prior to the execution of this Retrocession Agreement.

E. Notwithstanding anything herein to the contrary in this Retrocession Agreement, neither the Companies nor the Reinsurer may consent to any commutation of any Inuring Reinsurance without the consent of the Retrocessionaire. In the event that any commutation of any Inuring Reinsurance is made without the consent of the Retrocessionaire, such Inuring Reinsurance subject to such commutations shall be deemed to continue in force and collectible in full as if such commutation had not been made.

F. Notwithstanding anything to the contrary in this Retrocession Agreement, Companies and Reinsurer shall keep in force all existing reinsurance arrangements inuring to the benefit of this Retrocession Agreement and shall timely pay all reinstatement or other premiums due under such existing reinsurance arrangements. In the event that Inuring Reinsurance is diminished, terminated, or not extended or renewed due to failure to timely pay reinstatement or other premiums due under its existing reinsurance arrangements, such Inuring Reinsurance shall be deemed to continue in force and collectible in full as if such payment had been timely made.

ARTICLE 9

ADMINISTRATION OF SUBJECT BUSINESS

Reinsurer will be responsible for the handling and administration of the Subject Business claims under this Retrocession Agreement, including managing and supervising any TPAs or other vendors retained to assist in the handling of such claims. The Reinsurer may delegate these handling and administrative duties to the Companies and, as of the date hereof, the Reinsurer has delegated all such handling and administrative duties to the Companies.

A. The Reinsurer shall investigate, adjust, settle, defend or otherwise handle all such claims as follows:

1. The Reinsurer may establish total Net Loss reserves up to [***] per Subject Business claim.

2. The Reinsurer may settle any Subject Business claim up to [***] in total Net Loss per claim.

3. The Reinsurer shall not settle or reserve any Subject Business claim in excess of its authority, as provided herein, without prior written approval from the Retrocessionaire.

4. The Reinsurer will prepare and submit to the Retrocessionaire a large loss report, with sufficient particulars to identify the facts of the claim, in an agreed upon format, and provide all requested relevant documentation, for all reserve or settlement authority requests on Subject Business claims in excess of the Reinsurer's authority hereunder.

5. The Retrocessionaire shall provide a written response to all of Reinsurer's authority requests as soon as practicable, but no later than five (5) Business Days.

B. The Reinsurer shall provide the Retrocessionaire written notice of any demand, whether time-sensitive or otherwise, to settle any Subject Business claim for available policy limits as soon as practicable, but no later than forty-eight (48) hours before the expiration of any time-sensitive demand, and will provide the Retrocessionaire all relevant information in the Reinsurer's possession to evaluate such demand. The Retrocessionaire shall provide a written response to the Reinsurer with respect to any such time-sensitive policy-limit demands as soon as practicable, but no later than the expiration of such demand.

C. The Reinsurer shall retain and utilize vendors that the Reinsurer deems reasonably necessary in the performance of its claims-handling services under this Retrocession Agreement, including, but not limited to, attorneys, estimators, appraisers, investigators, independent adjusters, experts or other advisors, collection companies, and any other claims-related vendors deemed necessary by the Reinsurer in the administration of any Subject Business claim. The costs of any such vendors shall constitute Allocated Loss Adjustment Expense under this Retrocession Agreement.

D. The Reinsurer shall handle all submitted claims in accordance with:

1. the care, skill, prudence, diligence and expertise that would be expected from experienced and qualified personnel performing such duties in like circumstances;

2. the Reinsurer's established Claims Handling Guidelines, Claims Litigation Guidelines and Claims Legal Guidelines; and

3. the requirements of all applicable laws and regulations.

E. The Reinsurer shall not terminate or change any TPA engaged to assist in the handling of the Subject Business claims as of the Effective Date, without the Retrocessionaire's prior written approval, except that Reinsurer may amend, modify, change or expand the terms of its engagement of any current TPA used by the Companies to administer the Subject Business claims.

F. The Reinsurer shall cooperate, and ensure cooperation of any applicable TPAs, in all respects with the Retrocessionaire, including, but not limited to, providing to the Retrocessionaire all relevant information about the Subject Business claims, as the Retrocessionaire may reasonably request, and be reasonably available to discuss individual Subject Business claims with the Retrocessionaire.

G. The Reinsurer will ensure that the Retrocessionaire has electronic access to all applicable claims systems and documents for the Subject Business claims, both during the duration of the Term of this Retrocession Agreement, and for such period of time after the termination of the Term as may be reasonably necessary for Retrocessionaire to fulfill any of its surviving obligations under this Retrocession Agreement or to fulfill the requirements of applicable Law, at no additional cost to Retrocessionaire.

H. Reinsurer will invite Retrocessionaire to participate in all large loss conferences with respect to Subject Business claims.

I. Reinsurer will be available to meet monthly or as otherwise deemed reasonably necessary by Retrocessionaire to discuss any issues related to the handling of Subject Business claims.

J. Reinsurer and Retrocessionaire will each designate a single point of contact to address any issues that may arise regarding the handling of an individual Subject Business claim, or to generally address the administration of Subject Business claims.

K. Reinsurer, to the extent commercially reasonable, will pursue its rights to salvage or subrogation relating to any Net Loss. Should Reinsurer choose not to pursue a subrogation or salvage that the Retrocessionaire would like to pursue, the Retrocessionaire is hereby authorized and empowered to instigate such action in the name of the Reinsurer, and from any amount recovered by Retrocessionaire there shall be first deducted the Retrocessinaire's expenses incurred in effecting the recoveries. Reinsurer hereby agrees to cooperate with Retrocessionaire to enforce its rights to salvage or subrogation and to cooperate with Retrocessionaire in the prosecution of all claims arising out of such rights, to the extent commercially reasonable. Reinsurer agrees to furnish Retrocessionaire, on request, any and all legal instruments necessary to implement the foregoing assignment.

ARTICLE 10

ACCOUNTING FOR RESERVES

A. In calculating and maintaining Net Ceded Reserves, the Reinsurer shall comply with (i) applicable statutory accounting principles and guidance and generally accepted actuarial standards and principles applied in a manner consistent with past practice used for calculating and maintaining such Net Ceded Reserves, and (ii) the requirements of any applicable Law, including, the insurance laws and regulations of the State of Texas, and shall otherwise be consistent with Companies' standard procedures for calculating and maintaining Reserves.

B. Neither Party has made, hereby makes or shall make any representation or warranty to the other Party as to (i) the proper accounting or tax treatment by such other Party of the transaction provided for in this Retrocession Agreement or (ii) the proper future accounting or tax treatment of the transaction provided for in this Retrocession Agreement. Further, each Party acknowledges and agrees that, in making its independent determination that the transaction provided for in the Retrocession Agreement is properly accounted for as reinsurance for SAP, GAAP and federal income tax purposes, it did not rely, in any respect, upon any representation or determination made by the other Party.

ARTICLE 11

COLLATERAL; STATUTORY TRUST ACCOUNTS; CREDIT FOR REINSURANCE

A. Required Collateral Amount. As security for the payment and performance of all of Retrocessionaire's obligations in respect of Ultimate Net Loss reinsured hereunder, whether now existing or hereafter incurred, subject to Reinsurer's initial funding obligation set forth in Section D.1. of this Article 11, following delivery of the first Quarterly Funding Report for the calendar quarter ending June 30, 2020, Retrocessionaire shall provide an amount of collateral for the benefit of each Company, calculated in an amount equal to One Hundred Five Percent (105%) of Net Ceded Reserves (the "Required Collateral Amount") and divided among the Statutory Trust Accounts in accordance with the Quarterly Funding Report. For the avoidance of doubt, the Retrocessionaire shall not be permitted to make any withdrawals from the Statutory Trust Agreements prior to the delivery of the first Quarterly Report delivered hereunder. Should Retrocessionaire at any time disagree with the amount of Required Collateral Amount determined by Reinsurer for any Company, Retrocessionaire shall notify Reinsurer in writing of its disagreement (the "Collateral Dispute Notice"). The applicable provisions of Article 7 with respect to a dispute thereunder shall apply *mutatis mutandis* to any dispute under this Article 11.

B. Statutory Trust Agreements. The Parties agree that the Retrocessionaire, Reinsurer, and the Trustee (as defined under the Article entitled **DEFINITIONS**) shall enter into a separate Trust Agreement (as defined under the Article entitled **DEFINITIONS**) with each individual Company and establish a statutory trust account ("Statutory Trust Account") for the benefit of each individual Company. The Retrocessionaire and the Reinsurer intend that the establishment and maintenance of the Statutory Trust Accounts will allow each Company to qualify for full statutory accounting credit for admitted reinsurance by all regulatory authorities having jurisdiction over the applicable Company for the Retrocessionaire's obligations under this Retrocession Agreement. Any change or modification of any Statutory Trust Agreement shall be null and void unless made by written amendment to the applicable Statutory Trust Agreement and signed by Retrocessionaire, Reinsurer, the applicable Company, and the Trustee.

C. Statutory Trust Accounts. The Parties understand and agree that the Net Premium, any top-up amounts, and any other funds subsequently provided by Retrocessionaire for the purpose of meeting its collateral obligations hereunder (collectively, the "Collateral Funds"), shall be kept in the Statutory Trust Accounts. Each Statutory Trust Account shall hold only the Collateral Funds applicable to beneficiary Company and no other funds. Notwithstanding anything to the contrary contained herein, in no event shall the Collateral Funds be used to pay any amounts other than the Retrocessionaire's indemnification of paid Ultimate Net Loss covered hereunder. Assets may be withdrawn from the Statutory Trust Account by the beneficiary Company only for the following purposes:

(a) to pay, or to reimburse the beneficiary Company for the due but unpaid or unreimbursed Ultimate Net Loss covered by Retrocessionaire under this Retrocession Agreement;

(b) to transfer to the Retrocessionaire any Collateral Funds that are in excess of the Required Collateral Amount;

(c) where the beneficiary Company or Reinsurer has received notification of termination of the Statutory Trust Agreement and where any of the Retrocessionaire's obligations under this Retrocession Agreement remain unliquidated and undischarged ten (10) days prior to the termination date, to withdraw assets in the applicable Statutory Trust Account equal to such obligations and deposit such assets in a separate account apart from its other assets, in the name of the beneficiary Company in any United States bank or trust company apart from its general assets in trust solely for the uses and purposes specified in this Section C.

Reinsurer shall not cause or allow any action or inaction that would cause funds in the Statutory Trust Account to be withdrawn or used (i) for any purpose other than the permitted purposes set forth in this Section C or (ii) in duplication of any funds in the Statutory Trust Account withdrawn or used by a Company in satisfaction of the same due but unpaid or unreimbursed Ultimate Net Loss covered by Retrocessionaire hereunder.

D. Collateral Top-Up Requirements; Withdrawals; Offset; Actuarial Review.

1. During the term of the Statutory Trust Agreements, the Reinsurer shall provide to the Retrocessionaire and the Companies a report (each, a "Quarterly Funding Report") no later than thirty (30) days from the end of each calendar quarter specifying the Required Collateral Amount as of the end of such calendar quarter, including the total Required Collateral Amount and the Required Collateral Amount for each individual Company.

2. Beginning with the Quarterly Funding Report for the calendar quarter ended June 30, 2020, if, based on the Quarterly Funding Report, the Required Collateral Amount for any one or more of the Statutory Trust Accounts at the end of any calendar quarter exceeds the sum of the aggregate

Fair Market Value of the Eligible Assets held in any one or more Statutory Trust Accounts (determined in accordance with the Statutory Trust Agreements) (a "Collateral Deficit"), Retrocessionaire shall promptly, but not less than five (5) Business Days after delivery of the Quarterly Funding Report, transfer directly from its own account to applicable Statutory Trust Account(s) such additional Eligible Assets as may be necessary to increase the Fair Market Value of the Eligible Assets held in the applicable Statutory Trust Account(s) to the Required Collateral Amount for each such applicable Statutory Trust Account.

3. Beginning with the Quarterly Funding Report for the calendar quarter ended June 30, 2020, if, based on the Quarterly Funding Report, the Required Collateral Amount for any one or more of the Statutory Trust Accounts at the end of any calendar quarter is less than the sum of the aggregate Fair Market Value of the Eligible Assets held in any one or more Statutory Trust Accounts (determined in accordance with the Statutory Trust Agreements) (the "Collateral Excess"), the applicable Company(ies) shall promptly, but not less than five (5) Business Days after delivery of the Quarterly Funding Report, direct Trustee to transfer directly from applicable Statutory Trust Account to the account of Retrocessionaire or its designee such Eligible Assets as are in excess of the Required Collateral Amount.

4. In the event that a Quarterly Funding Report shows that there is a Collateral Deficit in one or more of the Statutory Trust Accounts and a Collateral Excess in one or more of the other Statutory Trust Accounts, then the Companies may, in each instance with the prior written consent of Retrocessionaire, withdraw from the Statutory Trust Account(s) having a Collateral Excess and instruct the Reinsurer to deposit into Statutory Trust Account(s) having a Collateral Deficit an amount that is (i) excess of the Required Collateral Amount, and (ii) not greater than the amount required to increase the Collateral Funds held in the Statutory Trust Account(s) having a Collateral Deficit to the Required Collateral Amount. The transfer described in the foregoing sentence (the "Collateral Offset") is for administrative expedience only, and Retrocessionaire may refuse its consent to a Collateral Offset for any reason, in its sole discretion. A Collateral Offset completed in accordance with the provisions of this Article 11 Section D.4 shall not be considered a transfer in violation of the permitted purposes set forth in Article 11 Section C above.

5. No less frequently than annually, Reinsurer, as part of the Companies' normal annual statutory financial statement actuarial review, shall engage the Companies' appointed actuary to perform a full actuarial analysis to determine the Required Collateral Amount and shall include such actuary's report to the extent relevant to Ultimate Net Loss in its Quarterly Funding Report to Retrocessionaire and Companies.

E. Title to Assets. The Retrocessionaire, prior to depositing assets in the Statutory Trust Accounts, shall execute assignments, endorsements in blank, or transfer legal title to the Trustee of all shares, obligations or other assets requiring assignments in order that the Trustee, upon the direction of the applicable Company, may negotiate these assets without consent or signature from the Retrocessionaire.

F. Income and Interest. Any income or interest earned on assets on deposit in the Statutory Trust Accounts shall be held in the Statutory Trust Accounts in accordance with the terms of the Statutory Trust Agreements.

G. Substitutions. The Retrocessionaire shall have the right to withdraw from the Statutory Trust Accounts all or any part of the assets contained therein and transfer such assets to the Retrocessionaire; provided that the Retrocessionaire complies with the requirements set forth in the Statutory Trust Agreements; and provided further that prior to the time of such withdrawal, the Retrocessionaire replaces the withdrawn assets with other applicable Eligible Assets having a Fair Market Value at least equal to the Fair Market Value of the assets withdrawn so as to maintain at all times the deposit of the Required Collateral Amount.

H. Termination. Promptly following termination of this Retrocession Agreement and payment of the full amounts due under the Retrocession Agreement, the parties to the Statutory Trust Agreements all shall take all actions necessary to terminate the Statutory Trust Accounts and the Statutory Trust Agreements.

I. Company Credit for Reinsurance. If, at any time during the Term of this Retrocession Agreement, any Company does not qualify for full statutory accounting credit in respect of the Reinsurance Agreement for admitted reinsurance by regulatory authorities having jurisdiction over the Company by reason of its Statutory Trust Account not complying with applicable insurance laws or regulations such that a financial or accounting penalty to the Company would result on any statutory statement or report the Company is required to make or file with insurance regulatory authorities (or a court of law in the event of insolvency), the Retrocessionaire shall, on behalf of the Reinsurer, secure the Reinsurer's share (subject to the limitations reflected in, Article 5 hereof) of obligations under the Reinsurance Agreement for which such full statutory credit is not granted by those authorities in a manner, form, and amount acceptable to the applicable Company, Reinsurer, Retrocessionaire, and to all applicable insurance regulatory Governmental Authorities. Reinsurer shall cooperate with Retrocessionaire and the Company to secure such credit for reinsurance as needed. Reinsurer, to the extent required by the Reinsurance Agreement, shall secure its obligations to the Companies (separate and apart from the Statutory Trust Accounts) in accordance with all applicable Laws governing credit for reinsurance and no such obligation shall be funded through withdrawal from the Statutory Trust Accounts. Retrocessionaire shall have no obligation to provide any other funds in trust other than the Collateral Funds in accordance with this Retrocession Agreement and the Statutory Trust Agreements, notwithstanding anything to the contrary set forth in the Reinsurance Agreement or any other agreement.

J. Joint and Several Liability; Indemnification.

(1) Each Company and the Reinsurer shall be jointly and severally liable for an adjudicated default by any Company or the Reinsurer under any of the Statutory Trust Agreements, including the use of Collateral Funds for such purpose other than as allowed under this Agreement or the Statutory Trust Agreements by a Company, the Reinsurer, or any party acting on behalf of or at the direction of any Company or the Reinsurer (including a third party claims administrator).

(2) The Companies and the Reinsurer shall jointly and severally indemnify, defend and hold harmless the Restrocessionaire and its affiliates and their respective directors, officers, employees, agents, successors and permitted assigns ("Retrocessionaire Indemnified Persons") from and against any and all disputes, demands, claims, actions, damages, losses, attorneys' fees, court costs and other liabilities, including those asserted against Retrocessionaire by Reinsurer (collectively "Liabilities") incurred by a Retrocessionaire Indemnified Person to the extent arising from or relating to (1) any breach of the representations, warranties, covenants or agreements of the Companies or Reinsurer contained in the Statutory Trust Agreements, including the use or application of Collateral Funds for any purpose other than those permitted under the Statutory Trust Agreements or this Retrocession Agreement, or (2) any successful enforcement of this indemnity; provided, in any case, the foregoing shall not apply to the extent the Liabilities were caused by the negligence, gross negligence, fraud or intentional misconduct of any Retrocessionaire Indemnified Person.

(3) In the event that amounts in excess of the Required Collateral Amount are not timely paid to Retrocessionaire or otherwise transferred between Statutory Trust Accounts as a permitted Collateral Offset due to the insolvency of a Company and administration of Collateral Funds by a conservator, liquidator, receiver, or statutory successor, Retrocessionaire may, to the extent not prohibited by Law, offset such excess amounts due to it against the obligations of Retrocessionaire in accordance with Article 23 hereto. In addition, the Companies and Reinsurer shall be jointly and severally liable to Retrocessionaire for payment of all such excess amounts.

K. Investment Manager. The Parties agree that either the Retrocessionaire, or a third party investment manager registered with the U.S. Securities and Exchange Commission selected by the Retrocessionaire (the "Investment Manager"), shall enter into an investment management agreement with the Reinsurer, the Companies, and the Trustee to manage the assets in the Statutory Trust Accounts in accordance with the investment guidelines mutually agreed to among the parties to such investment management agreement. Such investment management agreement shall be in the form and contain provisions that are reasonably acceptable to the Companies and the Reinsurer. All fees, costs and expenses in respect of the Investment Manager shall be borne solely by the Retrocessionaire and shall not be paid from the Statutory Trust Accounts.

ARTICLE 12

REPORTS AND SETTLEMENTS

A. Reports. After receiving data from the TPA, the Reinsurer, or the Companies as its administrator, shall prepare and deliver the electronic reports listed below (the "Reports") with respect to the entirety of the Subject Business. Within two (2) Business Days following the accounting close of each month (such close occurring on the 15th of the subsequent month), the Reinsurer shall deliver a Report in a format to be mutually agreed upon by the Parties which contains such accounting and journal entries and details (i) as may be necessary and customary to enable the Retrocessionaire to determine the amounts owed hereunder from Retrocessionaire or from the Reinsurer, as the case may be, and (ii) as may be required to permit the Retrocessionaire to prepare, make and file necessary or required financial and statistical reports and financial statements or otherwise comply with applicable Law.

Such Report shall, without limitation, include the amount of the following, on a monthly and cumulative basis, as at the close of the applicable month (such close as defined above):

1. Amounts paid in respect of Ultimate Net Loss;

2. Outstanding case and IBNR Reserves;

3. Ceded Reserves;

4. Net Ceded Reserves;

5. a statement of any amount(s) payable by the Retrocessionaire, including an itemization of all of the payments that are being billed to the Retrocessionaire for the applicable monthly accounting period;

6. Status of Reinsurance Warranty Amount, including a listing of applicable Inuring Reinsurance;

7. Amounts paid in erosion of the remaining amount of the Deductible;

8. Amounts paid in erosion of the remaining amount of the Aggregate Limit; and

9. any other information in connection with settlements hereunder reasonably requested by the Retrocessionaire.

B. The Reports outlined in this Article shall continue until the conclusion of the Term of this Retrocession Agreement.

C. Settlements. The Parties shall conduct monthly settlements (other than with respect to any amounts satisfied intra-month through withdrawal by the Reinsurer or the Companies from the Claims Payments Account) based upon the reporting provided in Section A above evidencing the amount due, subject to Section D below. Any payment, transfer or crediting of amounts required under this Section shall be made within five (5) Business Days following the date of the delivery of the applicable Report (any such date, the "Settlement Date"). For the avoidance of doubt, in no event shall an obligation of Retrocessionaire to make a payment pursuant to this Article 12 be postponed or delayed to a date later than the Settlement Date as a result of any pending or threatened dispute pursuant to this Agreement, except for amounts due under this Article that are disputed in good faith by Retrocessionaire.

D. Claims Payments Account.

1. The Companies shall establish and maintain a demand deposit account for purposes of facilitating interim settlements of amounts due under this Retrocession Agreement in respect of Ultimate Net Loss indemnifiable by the Retrocessionaire (the "Claims Payments Account").

2. On the first Business Day of each monthly accounting period following the exhaustion of the Deductible, the Retrocessionaire shall transfer to the Claims Payments Account cash in an amount sufficient to bring the balance of the Claims Payments Account to an amount equal to the trailing two (2) month average of payments of Ultimate Net Loss (the "Required Funding Amount"). If at any time during a monthly accounting period the funds in a Claims Payments Account are, in the Reinsurer's reasonable estimate, insufficient to pay all of the Ultimate Net Loss payable in such monthly accounting period, the Reinsurer shall provide a statement (a "Claims Estimate") setting forth in reasonable detail a description of the additional proposed payments of Ultimate Net Loss anticipated to be required during the remainder of such monthly accounting period and the amount by which the then current balance in the Claims Payments Account falls short of the aggregate amount set forth in the Claims Estimate.

ARTICLE 13

COMMUTATION

A. This Retrocession Agreement shall be commuted effective at any calendar quarter end, subject to any required regulatory approvals, if applicable, (i) upon commutation of the Reinsurance Agreement or (ii) with the mutual agreement of the Retrocessionaire and the Reinsurer.

B. At commutation, the Retrocessionaire shall pay to the Reinsurer the present value of any and all Ultimate Net Loss liability outstanding hereunder, as mutually agreed upon by the Reinsurer and Retrocessionaire.

C. Upon payment of the commutation amount, all payable Ultimate Net Losses are deemed paid, both Parties shall be released of further liability under the terms and conditions of this Retrocession Agreement and this Retrocession Agreement shall be deemed commuted and terminated.

D. It is agreed that on the day of commutation, the Reinsurer shall release any and all letters of credit, trust accounts (including the Statutory Trust Accounts) or any other collateral posted by the Retrocessionaire, as applicable, under this Retrocession Agreement.

ARTICLE 14

ACCESS TO RECORDS

A. All records remain the property of the Reinsurer.

B. The Retrocessionaire or its designated representatives shall have the right to inspect (and make copies) at all reasonable times and upon reasonable prior notice to Reinsurer, during the Term of this Retrocession Agreement and thereafter, all proprietary and non-privileged books, records and papers of the Reinsurer directly related to any reinsurance hereunder, or the subject matter hereof, including, but not limited to administrative records, claim records, Policy files, and related documents and information, and Retrocessionaire shall have the right to make photocopies thereof at its expense. All such books, records, and papers shall be kept available by Reinsurer and its departmental or branch offices for a period of not less than five (5) years after the termination date of this Retrocession Agreement. Should the Retrocessionaire assume administration of claims for any of the Subject Business, Reinsurer or its designated representatives shall have the right to inspect (and make copies) at all reasonable times and upon prior reasonable notice to Retrocessionaire during the Term of this Retrocession Agreement, and thereafter, all proprietary and non-privileged books, records and papers of the Retrocessionaire directly related to the Retrocessionaire's administration of claims, and Reinsurer shall have the right to make photocopies thereof at its expense. All such books, records, and papers shall be kept available by Retrocessionaire and its departmental or branch offices for a period of not less than five (5) years after the termination date of this Retrocession Agreement.

C. For the purposes of this Article, "non-privileged" refers to books, records and papers that are not subject to the Attorney-client privilege and Attorney-work product doctrine. "Attorney-client privilege" and "Attorney-work product" shall have the meanings ascribed to each by statute and/or the court of final adjudication in the jurisdiction whose laws govern the substantive law of a claim arising under a Policy reinsured under this Retrocession Agreement.

D. Notwithstanding anything to the contrary in this Retrocession Agreement, for any claim or Loss under a Policy reinsured under this Retrocession Agreement, should either Party claim, pursuant to the Common Interest Doctrine ("Doctrine"), that it has the right to examine any document that is alleged to be subject to the Attorney-client privilege or the Attorney-work product privilege, upon the claiming Party providing to the other Party substantiation of any law which reasonably supports the basis for the conclusion that the Doctrine applies and the Doctrine will be upheld as applying between the Parties as against third parties pursuant to the substantive law(s) which govern the claim or Loss, the claiming Party shall be given access to such document.

E. Notwithstanding the foregoing, the Parties shall permit and not object to the other Party's access to privileged documents in connection with any underlying claim reinsured hereunder following final settlement or final adjudication of the case or cases involving such claim; provided that the Party may defer release of such privileged documents if there are subrogation, contribution, or other third party actions with respect to that claim or case, which might jeopardize the Party's defense by release of such privileged documents. In the event a Party shall seek to defer release of such privileged documents, it will, in consultation with the other Party, take other steps as reasonably necessary to provide the requesting Party with the information it reasonably requires to evaluate exposure, establish Reserves or indemnify without causing a loss of such privileges. The Parties shall in no event have access to privileged documents relating to any dispute between the Parties. Furthermore, in the event that a Party demonstrates a need for information contained in privileged documents prior to the resolution of the underlying claim, the other Party agrees it will endeavor to undertake steps as reasonably necessary to provide the requesting Party with the information it reasonably requires to indemnify the other Party without causing a loss of such privilege.

F. The provisions of this Article 14 shall survive the termination of this Retrocession Agreement.

ARTICLE 15

ARBITRATION

A. Any and all disputes between the Reinsurer and the Retrocessionaire arising out of, relating to, or concerning this Retrocession Agreement, whether sounding in contract or tort and whether arising during or after termination of this Retrocession Agreement, shall be submitted to the decision of a board of arbitration composed of two (2) arbitrators and an umpire ("Board") meeting at a site in the city in which the principal headquarters of the Retrocessionaire are located. The arbitration shall be conducted and shall proceed as set forth in the ARIAS-US Rules for the Resolution of U.S. Insurance and Reinsurance Disputes and the procedures below.

B. A notice requesting arbitration, or any other notice made in connection therewith, shall be in writing and be sent certified or registered mail, return receipt requested to the affected Party. The notice requesting arbitration shall state in particular all issues to be resolved, shall appoint the arbitrator selected by the claimant and shall set a tentative date for the hearing, which date shall be no sooner than ninety (90) days and no later than one hundred fifty (150) days from the date that the notice requesting arbitration is mailed. Within thirty (30) days of receipt of claimant's notice, the respondent shall notify claimant of any additional issues to be resolved in the arbitration and of the name of its appointed arbitrator.

C. The members of the Board shall be impartial, disinterested and not currently representing any Party participating in the arbitration, and shall be current or former senior officers of insurance or reinsurance concerns, experienced in the line(s) of business that are the subject of this Retrocession Agreement. The Reinsurer and the Retrocessionaire as aforesaid shall each appoint an arbitrator and the two (2) arbitrators shall choose an umpire before instituting the hearing. If the respondent fails to appoint its arbitrator within thirty (30) days after having received claimant's written request for arbitration, the claimant is authorized to and shall appoint the second arbitrator. If the two (2) arbitrators fail to agree upon the appointment of an umpire within thirty (30) days after notification of the appointment of the second arbitrator, within ten (10) days thereof, the two (2) arbitrators shall request ARIAS-U.S. ("ARIAS") to apply its procedures to appoint an umpire for the arbitration with the qualifications set forth above in this Article. If the use of ARIAS procedures fails to name an umpire, either Party may apply to a court of competent jurisdiction to appoint an umpire with the above required qualifications. The umpire shall promptly notify in writing all Parties to the arbitration of his selection and of the scheduled date for the hearing. Upon resignation or death of any member of the Board, a replacement shall be appointed in accordance with the same procedures pursuant to which the resigning or deceased member was appointed pursuant to this Article 15.

D. The claimant and respondent shall each submit initial briefs to the Board outlining the facts, the issues in dispute and the basis, authority, and reasons for their respective positions within thirty (30) days of the date of notice of appointment of the umpire. The claimant and the respondent may submit a reply brief to the Board within ten (10) days after filing of the initial brief(s). Initial and reply briefs may be amended by the submitting Party at any time, but not later than ten (10) days prior to the date of commencement of the arbitration hearing. Reasonable responses shall be allowed at the arbitration hearing to new material contained in any amendments filed to the briefs but not previously responded to.

E. The Board shall consider this Retrocession Agreement as an honorable engagement and shall make a decision and award with regard to the terms expressed in this Retrocession Agreement, the original intentions of the Parties to the extent reasonably ascertainable, and the custom and usage of the insurance and reinsurance business that is the subject of this Retrocession Agreement. Notwithstanding any other provision of this Retrocession Agreement, the Board shall have the right and obligation to consider underwriting and submission-related documents in any dispute between the Parties.

F. The Board shall be relieved of all judicial formalities and the formal rules of evidence, and the decision and award shall be based upon a hearing in which evidence that is relevant shall be allowed. Cross examination and rebuttal shall be allowed. The Board may request a post-hearing brief to be submitted within twenty (20) days of the close of the hearing.

G. The Board shall render its decision and award in writing within thirty (30) days following the close of the hearing or the submission of post-hearing briefs, whichever is later, unless the Parties consent to an extension. Every decision by the Board shall be by a majority of the members of the Board and each decision and award by the majority of the members of the Board shall be final and binding upon all Parties to the proceeding. Such decision shall be a condition precedent to any right of legal action arising out of the arbitrated dispute which either Party may have against the other. However, the Board is not authorized to award punitive, exemplary or enhanced compensatory damages.

H. The Board shall award interest on the award at a rate not in excess of Two Percent (2%) per annum calculated from the date the Board determines that any amounts due the prevailing Party should have been paid to the prevailing Party.

I. Either Party may apply to a court of competent jurisdiction for an order confirming any decision and the award; a judgment of that Court shall thereupon be entered on any decision or award.

J. Each Party shall bear the expenses and costs of its own attorney and of the one arbitrator appointed by or for it in connection with all phases of the arbitration proceeding through any judicial proceedings related to the arbitration and shall jointly and equally bear with the other Party the expense of any stenographer requested, and of the umpire. The remaining costs of the pre-confirmation arbitration proceedings shall be finally allocated by the Board.

K. Subject to customary and recognized legal rules of privilege, each Party participating in the arbitration shall have the obligation to produce those documents, and as witnesses at the arbitration those of its employees, and those of its affiliates, as any other participating Party reasonably requests, providing always that the same witnesses and documents be reasonably obtainable and relevant to the issues in the arbitration and not be unduly burdensome or excessive in the opinion of the Board.

L. The Parties may mutually agree as to pre-hearing discovery prior to the arbitration hearing and in the absence of agreement, upon the request of any Party, pre-hearing discovery may be conducted as the Board shall determine in its sole discretion to be in the interest of fairness, full disclosure, and in furtherance of a prompt hearing, decision and award by the Board.

M. The Board shall be the final judge of the composition of the Board, the procedures of the Board, the conduct of the arbitration, the rules of evidence, the rules of privilege, discovery and production and the excessiveness and relevancy of any witnesses and documents upon the petition of any participating Party. To the extent permitted by law, the Board shall have the authority to issue subpoenas and other orders to enforce its decisions. The Board shall also have the authority to issue interim decisions or awards in the interest of fairness, full disclosure, and a prompt and orderly hearing and decision and award by the Board.

N. Nothing in this Article shall preclude any of the Parties engaged in arbitration from settling the dispute and withdrawing from an arbitration established to resolve that dispute.

O. The provisions of this Article will survive the termination of this Retrocession Agreement.

P. If a dispute arising under this Retrocession Agreement is related to a dispute arising out of the Reinsurance Agreement (together, the "Reinsurance Transaction Agreements") all such disputes may be brought in a single arbitration, in each case, to the extent permitted under the respective applicable Reinsurance Transaction Agreement. If one or more arbitrations are already pending with respect to a dispute under this Retrocession Agreement or a dispute under the other Reinsurance Transaction Agreement, then any Party may request that any arbitration or any new related dispute be consolidated into any such prior arbitration. Such new dispute or arbitration shall be so consolidated, provided that the Board for the prior arbitration determines that: (i) the new dispute or arbitration presents significant issues of law or fact common with those in the pending arbitration; (ii) no party would be unduly prejudiced; and (iii) consolidation under these circumstances would not result in undue delay for the prior arbitration. Any such order of consolidation issued by the Board shall be final and binding upon the Parties. The Parties waive any right they have to appeal or to seek interpretation, revision or annulment of such order of consolidation, including in any court. The Board for the arbitration into which a new dispute is consolidated shall serve as the Board for the consolidated arbitration.

ARTICLE 16

CONFIDENTIALITY

A. The information, data, statements, representations and other materials provided by the Reinsurer and its Representatives or the Retrocessionaire and its Representatives to the other arising from consideration and participation in this Retrocession Agreement whether contained in the reinsurance submission, this Retrocession Agreement, or in materials or discussions arising from or related to this Retrocession Agreement, constitutes confidential or proprietary information (collectively, the "Confidential Information") unless (i) it is expressly indicated otherwise by the Party disclosing such information ("Disclosing Party") in writing from time to time to the other Party (the "Receiving Party"), or (ii) it is publicly available. This Confidential Information is intended for the sole use of the Parties to this Retrocession Agreement (and their affiliates involved in management or operation of the Subject Business covered hereunder, the intermediaries involved in the placement of this Retrocession Agreement, and their respective auditors, third-party service providers, professional advisors, and legal counsel, collectively termed the "Representatives") as may be necessary in analyzing and/or accepting a participation in and/or executing their respective responsibilities under or related to this Retrocession Agreement. The Receiving Party shall protect and safeguard the confidentiality of all Confidential Information with at least the same degree of care as the Receiving Party would protect its own Confidential Information, but in no event with less than a commercially reasonable degree of care.

B. Disclosing or using Confidential Information relating to this Retrocession Agreement, without the prior written consent of the Disclosing Party, for any purpose beyond (i) the scope of this Retrocession Agreement, (ii) the reasonable extent necessary to perform or enforce its rights and responsibilities provided for under this Retrocession Agreement or any Transaction Agreement, (iii) the reasonable extent necessary to administer, report to and effect recoveries under this Retrocession Agreement, (iv) the reporting to regulatory or other Governmental Authorities as may be legally required, (v) providing the Confidential Information to Representatives with a need to know such Confidential Information, who are legally obligated by either written agreement or otherwise to maintain the confidentiality of the Confidential Information, is expressly forbidden, or (vi) as may be required by applicable Law or regulatory requirement.

Copying, duplicating, disclosing, or using Confidential Information for any purpose beyond these purposes is forbidden without the prior written consent of the Disclosing Party.

C. Should a Receiving Party receive a third party demand pursuant to subpoena, summons, or court or governmental order or request, to disclose Confidential Information that has been provided by the Disclosing Party, to the extent allowed by law, the Receiving Party shall provide the Disclosing Party with written notice of any subpoena, summons, or court or governmental order or request, at least ten (10) days prior to such release or disclosure. Unless the Disclosing Party has given its prior permission to release or disclose the Confidential Information, the Receiving Party shall not comply with the subpoena prior to the actual date required by the subpoena. If a protective order or appropriate remedy is not obtained (at the sole expense of Disclosing Party), the Receiving Party may disclose only that portion of the Confidential Information that it is legally obligated to disclose. However, notwithstanding anything to the contrary in this Retrocession Agreement, in no event, to the extent permitted by law, shall this Article require the Receiving Party not to comply with the subpoena, summons, or court or governmental order.

ARTICLE 17

CURRENCY

A. Whenever the word "dollars" or the "$" sign appears in this Retrocession Agreement, they shall be construed to mean United States Dollars and all transactions under this Retrocession Agreement shall be in United States Dollars.

B. Amounts paid or received by the Companies in any other currency shall be converted to United States Dollars at the rate of exchange on the date such transaction is entered on the books of the Companies.

ARTICLE 18

DELAYS, ERRORS AND OMISSIONS

Inadvertent delays, errors or omissions made in connection with this Retrocession Agreement or any transaction hereunder (including the reporting of claims) shall not relieve either Party hereto from any liability which would have attached had such delay, error or omission not occurred, provided always that such delay, error or omission shall be rectified as soon as possible after discovery.

ARTICLE 19

EXTRA CONTRACTUAL OBLIGATIONS/LOSS EXCESS OF POLICY LIMITS

A. This Retrocession Agreement shall provide reinsurance for the Ultimate Net Loss of the Policies comprising the Subject Business, which includes, subject to the terms and conditions of this Article 19, any Extra Contractual Obligations and/or Loss Excess of Policy Limits.

B. "Extra Contractual Obligations" means all liabilities arising out of or relating to Subject Business not covered under any other provision of this Retrocession Agreement, including compensatory, consequential, punitive, or exemplary damages together with any legal costs and expenses incurred in connection therewith, paid (without duplication) as damages or in settlement by any Company, the Reinsurer or any affiliate arising from an allegation or claim of any Company's insured, Company's insured's assignee, or other third party, which alleges negligence, gross negligence, bad faith or other tortious conduct on the part of such Company, the Reinsurer or any affiliate, or any designee of such Company or the Reinsurer (including any TPA) to the extent indemnifiable by such Company or any affiliate of such Company in the handling, adjustment, rejection, defense or settlement of a claim under a Policy.

C. "Loss Excess of Policy Limits" means any costs, expenses or other amounts (other than Allocated Loss Adjustment Expenses) incurred in connection with a Loss paid as damages or in settlement (or otherwise) in excess of the limits of a specific Policy, but otherwise within the coverage terms of such Policy, including as arising from an allegation or claim of any Company's insured, Company's insured's assignee, or other third party, which alleges negligence, gross negligence, bad faith or other tortious conduct in the handling of a claim under a Policy, in rejecting a settlement within the Policy limits, in discharging a duty to defend or prepare the defense in the trial of an action against the insured, or in discharging its duty to prepare or prosecute an appeal consequent upon such an action. For the avoidance of doubt, the decision by a Company to settle a claim for an amount within the coverage of the Policy but not within the Policy limit when such Company has reasonable basis to believe that it may have liability to the insured or assignee or other third party on the claim will be deemed a Loss Excess of Policy Limits.

D. Any Reserves ceded or assumed or amounts paid or settled by a Party (or a TPA on behalf of such Party) in respect of Extra Contractual Obligations or Loss Excess of Policy Limits without the other Party's prior written approval such approval not to be unreasonably withheld, conditioned or delayed, shall not constitute Ultimate Net Loss or paid Ultimate Net Loss (as applicable), unless the other Party waives in writing the foregoing exclusion with respect to a particular amount or amounts. No such waiver by either Party shall constitute any future waiver of this Section with respect to other amounts.

E. An Extra Contractual Obligation or a Loss Excess of Policy Limits shall be deemed to have occurred on the same date as the Loss covered under the Policy and shall be considered part of the original Loss (subject to other terms of this Retrocession Agreement).

F. Neither an Extra Contractual Obligation nor a Loss Excess of Policy Limits shall include any Losses, liabilities, penalties, costs or other expenses arising out of any adjudicated fraudulent or criminal act by any officer or director of the Reinsurer or the Companies acting individually or collectively or in collusion with any other organization or party involved in the presentation, defense, or settlement of any claim covered under this Retrocession Agreement.

G. Neither an Extra Contractual Obligation nor a Loss Excess of Policy Limits shall include any Losses, liabilities, penalties, costs or other expenses arising out of any adjudicated fraudulent or criminal act by any officer or director of the Retrocessionaire acting individually or collectively or in collusion with any other organization or party involved in the presentation, defense, or settlement of any claim covered under this Retrocession Agreement, which all such Losses, Liabilities, penalties, costs or other expenses shall be the responsibility of Retrocessionaire and shall not be considered Ultimate Net Loss.

H. The Reinsurer shall be indemnified in accordance with this Article to the fullest extent permitted by applicable Law.

ARTICLE 20

FEDERAL EXCISE TAX

A. To the extent that any portion of the Premium paid to the Retrocessionaire under this Retrocession Agreement is subject to the Federal Excise Tax (as imposed under Section 4371 of the Internal Revenue Code) ("FET") and the Retrocessionaire is not exempt therefrom, the Retrocessionaire shall allow for the purpose of paying the FET, a deduction by the Reinsurer of the applicable percentage of the Premium payable hereunder. In the event of any return of Premium becoming due hereunder, the Reinsurer shall use commercially reasonable efforts to obtain a refund of any FET paid to the IRS in respect of such returned Premium, and shall pay any such refunded FET over to the Retrocessionaire as soon as practicable following the receipt of such refund. Reinsurer or its agent shall be responsible for remitting any FET withheld from the Premium paid to the Retrocessionaire to the IRS. The Retrocessionaire shall reimburse the Reinsurer for any FET imposed on Premiums paid (or deemed paid) to the Retrocessionaire under this Retrocession Agreement that is not deducted and withheld in accordance with Article 6 and this Article 20.

B. To the extent applicable, in consideration of the terms under which this Retrocession Agreement is issued, the Reinsurer undertakes not to claim any deduction of the premium hereon when making Canadian Tax returns or when making tax returns, other than Income or Profits Tax returns, to any State or Territory of the United States of America or to the District of Columbia.

ARTICLE 21

TAX INFORMATION REPORTING AND WITHHOLDING

A. Prior to the Effective Date, the Reinsurer shall provide the Retrocessionaire with the Reinsurer's IRS Form W-9, and the Retrocessionaire shall provide the Reinsurer with the Retrocessionaire's IRS Form W-8BEN-E. In the event the IRS Form W-9 or IRS Form W-8BEN-E initially provided may no longer be relied upon, the Reinsurer or Retrocessionaire, as applicable, shall upon the other party's reasonable request promptly provide to such other party an updated form. To the extent the Retrocessionaire is subject to the deduction and withholding of Premium payable hereunder under applicable Law, including, but not limited to, under the Foreign Account Tax Compliance Act (Sections 1471-1474 of the Internal Revenue Code), the Retrocessionaire agrees to allow such deduction and withholding from the Premium payable under this Retrocession Agreement, and the Reinsurer shall have no obligation to gross-up the Retrocessionaire for any such withheld amounts.

B. In the event of any return of Premium becoming due hereunder, the Reinsurer shall use commercially reasonable efforts to assist the Retrocessionaire in obtaining any refund permitted by applicable Law. In that event, the Retrocessionaire agrees to provide the Reinsurer or its agent with all information, assistance and cooperation which the Reinsurer or its agent reasonably requests in order to assist the Retrocessionaire in obtaining a refund. The Retrocessionaire further agrees that it will do nothing to prejudice the Reinsurer's or its agent's position or their potential or actual rights of recovery.

ARTICLE 22

INSOLVENCY

A. In the event of insolvency and the appointment of a conservator, liquidator, receiver, or statutory successor of the Reinsurer, any risk or obligation assumed by the Retrocessionaire shall be payable to the conservator, liquidator, receiver, or statutory successor on the basis of claims allowed against the insolvent Reinsurer by any court of competent jurisdiction or by any conservator, liquidator, receiver, or statutory successor of the Reinsurer having authority to allow such claims, without diminution because of that insolvency, or because the conservator, liquidator, receiver, or statutory successor has failed to pay all or a portion of any claims.

B. Payments by the Retrocessionaire as above set forth shall be made directly to the Reinsurer, the Companies, or to Reinsurer's conservator, liquidator, receiver, or statutory successor, except where the contract of insurance or reinsurance specifically provides another payee of such reinsurance or except as provided by applicable Law and regulation in the event of the insolvency of the Reinsurer.

C. In the event of the insolvency of the Reinsurer, the liquidator, receiver, conservator or statutory successor of the Reinsurer shall give written notice to the Retrocessionaire of the pendency of a claim against the insolvent Reinsurer on the Policy or Policies reinsured within a reasonable time after such claim is filed in the insolvency proceeding, and, during the pendency of such claim, Retrocessionaire may investigate such claim and interpose, at its own expense, in the proceeding where such claim is to be adjudicated, any defense or defenses which it may deem available to the Reinsurer or its liquidator, receiver, conservator or statutory successor. The expense thus incurred by the Retrocessionaire shall be chargeable subject to court approval against the insolvent Reinsurer as part of the expense of liquidation to the extent of a proportionate share of the benefit which may accrue to the Reinsurer solely as a result of the defense undertaken by the Retrocessionaire.

ARTICLE 23

OFFSET

The Reinsurer and the Retrocessionaire shall have the right to offset any balance or amounts due from one Party to the other under the terms of this Retrocession Agreement. In addition, Retrocessionaire shall specifically have the right of offset against any balance or amounts due to Reinsurer or Companies in the event that Collateral Funds in the Statutory Trust Accounts are used or withdrawn in violation of the terms and conditions of the Statutory Trust Agreements or this Retrocession Agreement. In the event of insolvency of a Party hereto, offset shall be as permitted by applicable Law.

ARTICLE 24

PRIVACY & PROTECTION OF DATA

A. The Reinsurer and the Retrocessionaire represent that they are aware of and in compliance with their responsibilities and obligations under applicable Laws and regulations pertaining to Non-Public Personal Information ("NPPI") and Protected Health Information ("PHI"). For the purpose of this Retrocession Agreement, NPPI and PHI shall mean (i) financial or health information that identifies an individual, including claimants under Policies reinsured under this Retrocession Agreement, and which information is not otherwise available to the public, and (ii) any other information which would constitute personal information or personal health information under applicable Laws or regulations relating to the collection, retention, protection and use of such information, including the Gramm-Leach-Bliley Act of 1999, the Health Insurance Portability and Accountability Act of 1996 and the Health Information Technology for Economic and Clinical Health Act, and all amendments to and further regulations thereto (collectively, "Privacy Laws"). Data conveyed to the Retrocessionaire may include NPPI and/or PHI that is protected under applicable Privacy Laws and shall be used only in the performance of rights, obligations and duties in connection with this Retrocession Agreement.

B. The Retrocessionaire shall maintain appropriate safeguards to protect any NPPI and PHI received hereunder from accidental loss or unauthorized access, use or disclosure, which such safeguards shall, at a minimum, comply with all applicable Privacy Laws. The Retrocessionaire shall immediately report to the Reinsurer any known or reasonably suspected accidental loss or unauthorized access, use or disclosure of any NPPI or PHI held by or on behalf of the Retrocessionaire hereunder.

C. Without limiting the foregoing, the Retrocessionaire shall collect and use NPPI and PHI solely as permitted by, and shall not otherwise violate, any applicable privacy policy(ies) of the Reinsurer or with which the Reinsurer must comply which have been provided to the Retrocessionaire in writing, or which are otherwise known to the Retrocessionaire.

D. Upon receipt of any request from the Reinsurer for the deletion of any NPPI or PHI, the Retrocessionaire shall promptly comply with such request and certify such deletion to the Reinsurer. The Retrocessionaire shall convey to the Reinsurer any request for the deletion of NPPI or PHI received from any purported data subject.

ARTICLE 25

SANCTIONS

Neither the Reinsurer nor the Retrocessionaire shall be liable for any amounts under this Retrocession Agreement if it would result in a violation of any mandatory sanction, prohibition or restriction under United Nations resolutions or the trade or economic sanctions, laws or regulations of the European Union, United Kingdom or United States of America that are applicable to either Party.

ARTICLE 26

SERVICE OF SUIT

A. This Article will not be read to conflict with or override the obligations of the Parties to arbitrate their disputes as provided for in the Article entitled **ARBITRATION**. This Article is intended as an aid to compel required arbitration or enforce an arbitration or arbitral award, not as an alternative to the Article entitled **ARBITRATION** for resolving disputes arising out of this Reinsurance Agreement.

B. In the event of any dispute, the Retrocessionaire, at the request of the Reinsurer, shall submit to the jurisdiction of a court of competent jurisdiction within the State of Texas. The Retrocessionaire agrees to comply with all requirements necessary to give such court jurisdiction over the Retrocessionaire. The Retrocessionaire further agrees to abide by the final decision of such court or an appellate court to which such court's decision is appealed. Nothing in this Article constitutes or should be understood to constitute a waiver of the Retrocessionaire's rights to commence an action in any court of competent jurisdiction in the United States, to remove an action to a United States District Court, or to seek a transfer of a case to another court as permitted by the laws of the United States or of any state in the United States.

C. Service of process in any such suit against the Retrocessionaire may be made upon its duly authorized agent for service of process, R&Q Solutions LLC, Two Logan Square, Suite 600, Philadelphia, PA 19103, Attn: Christopher Reichow, U.S. General Counsel (the "Retrocessionaire's Agent for Process"), and in any suit instituted, the Retrocessionaire shall abide by the final decision of such court or of any appellate court in the event of an appeal.

D. The Retrocessionaire's Agent for Process is authorized and directed to accept service of process on behalf of the Retrocessionaire in any such suit.

E. Further, as required by and pursuant to any statute of any state, territory or district of the United States which makes provision therefore, the Retrocessionaire hereby designates the Superintendent, Commissioner or Director of Insurance or other officer specified for that purpose in the statute, or his successor or successors in office, as its true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Reinsurer arising out of this Retrocessionaire Agreement, and hereby designates the Retrocessionaire's Agent for Process as the person to whom the said officer is authorized to mail such process or a true copy thereof.

ARTICLE 27

REGULATORY MATTERS

If Reinsurer or Retrocessionaire receives notice of, or otherwise becomes aware of any inquiry, investigation, examination, audit, enforcement action or proceeding by any Governmental Authority relating to this Retrocession Agreement or the Reinsurance Agreement, Reinsurer or the Retrocessionaire, as applicable, shall promptly notify the other Party thereof, whereupon the Parties shall cooperate to resolve such matter.

ARTICLE 28

LIMITED RECOURSE AND BERMUDA REGULATIONS

A. Reinsurer and the Companies acknowledge and agree that Retrocessionaire is a segregated account of R&Q. Notwithstanding anything to the contrary herein, the total liability of Retrocessionaire for the performance and discharge of all of its obligations, however they may arise, in relation to this Retrocession Agreement and the Statutory Trust Agreements, shall be limited to and payable solely from the proceeds of realization of the assets of the Retrocessionaire and, accordingly, neither Reinsurer nor the Companies shall have any recourse, direct or indirect, to any other assets of R&Q whether or not allocated to any other segregated account or the general account of R&Q. In the event that the proceeds of realization of the assets of Retrocessionaire are insufficient to meet all obligations, Reinsurer and the Companies undertake in such circumstances to take no action against R&Q in respect of any such obligations. In particular, neither the Reinsurer, the Companies, nor any party acting on either entity's behalf shall petition or take any steps for the winding up or receivership of R&Q.

B. Notwithstanding any matter referred to herein, the Reinsurer and the Companies understand and accept that Retrocessionaire is a segregated account of R&Q that contains assets and liabilities that are legally separate from the assets and liabilities of R&Q's general account and other segregated accounts and that all corporate matters relating to the creation of Retrocessionaire, capacity of Retrocessionaire, operation and liquidation of Retrocessionaire and any matters relating to Retrocessionaire thereof shall be governed by, and construed in accordance with, the laws of Bermuda. The transactions contemplated under this Retrocession Agreement shall be linked to the segregated account. Reinsurer and the Companies each have had the opportunity to take advice and to obtain all such additional information that it considers necessary to evaluate the terms, conditions and risks of entering into this Retrocession Agreement with Retrocessionaire.

ARTICLE 29

REPRESENTATIONS AND WARRANTIES; COVENANTS

A. Reinsurer represents and warrants to Retrocessionaire as of the date hereof that the Reinsurance Agreement attached hereto as Exhibit B is full, correct, and complete, and has not been further amended or replaced. No amendment of the Reinsurance Agreement shall alter the Retrocessionaire's rights and obligations hereunder or under the Reinsurance Agreement with respect to Retrocessionaire's status as a third party beneficiary of the Reinsurance Agreement, without the Retrocessionaire's prior written consent and any such amendment made without Retrocessionaire's prior written consent shall not be binding on Retrocessionaire and shall not alter the Retrocessionaire's rights or obligations hereunder or under the Reinsurance Agreement in any way. Reinsurer shall not be required to obtain Retrocessionaire's consent for any amendments of the Reinsurance Agreement that do not alter Retrocessionaire's rights and obligations hereunder, but Reinsurer shall provide notice and a copy of such amendments to Retrocessionaire.

B. Reinsurer represents and warrants to Retrocessionaire that the Policies for the Subject Business have not been further amended or replaced since the Effective Date, other than (i) in the ordinary course of business, (ii) in accordance with changes in applicable Law, or (iii) in accordance with the terms of such Policies, and in any case such amendments or replacements set forth in subclauses (i)-(iii) do not materially increase the risk to Retrocessionaire as disclosed. No amendment or replacement not expressly permitted herein shall be made without the Retrocessionaire's prior written consent and any such amendment or replacement made without Retrocessionaire's prior written consent shall not be binding on Retrocessionaire and shall not alter the Retrocessionaire's rights or obligations hereunder or under the Reinsurance Agreement in any way.

C. Reinsurer represents and warrants to Retrocessionaire as of the date hereof that the Subject Business and associated information attached hereto as Exhibit A is full, correct, and complete, and has not been further amended or replaced. No amendment of or endorsement to the Policies written in respect of the Subject Business (other than as set forth in Section A) shall affect Ultimate Net Loss ceded hereunder without Retrocessionaire's written consent.

D. Neither Company nor Reinsurer shall enter into any arrangement with existing reinsurers, or take any other action with respect to such existing reinsurance arrangements or the agreements evidencing such arrangements, that reduce, restrict or otherwise limit the cover provided by those reinsurers. Any action taken in violation of this Section shall not be binding on Retrocessionaire and shall not alter the Retrocessionaire's rights or obligations hereunder in any way.

ARTICLE 30

MISCELLANEOUS

A. Interpretation.

1. As used in this Retrocession Agreement, references to the following terms have the meanings indicated:

a. to the Preamble or to the Recitals, Sections, Articles, Exhibits or Schedules are to the Preamble or a Recital, Section or Article of, or an Exhibit or Schedule to, this Retrocession Agreement unless otherwise clearly indicated to the contrary;

b. to any contract or agreement (including this Retrocession Agreement) are to the contract or agreement as amended, modified, supplemented or replaced from time to time;

c. to any law are to such law as amended, modified, supplemented or replaced from time to time and all rules and regulations promulgated thereunder, and to any section of any law include any successor to such section;

d. to any Governmental Authority include any successor to the Governmental Authority and to any affiliate include any successor to the affiliate;

e. to any "copy" of any contract or agreement or other document or instrument are to a true and complete copy thereof;

f. to "hereof," "herein," "hereunder," "hereby," "herewith" and words of similar import refer to this Retrocession Agreement as a whole and not to any particular Article, Section or clause of this Retrocession Agreement, unless otherwise clearly indicated to the contrary;

g. to the "date of this Retrocession Agreement," "the date hereof" and words of similar import refer to April 1, 2020; and

h. to "this Retrocession Agreement" includes the Exhibits and Schedules.

2. Whenever the last day for the exercise of any right or the discharge of any duty under this Retrocession Agreement falls on a day other than a Business Day, the Party having such right or duty shall have until the next Business Day to exercise such right or discharge such duty. Unless otherwise indicated, the word "day" shall be interpreted as a calendar day. With respect to any determination of any period of time, unless otherwise set forth herein, the word "from" means "from and including" and the word "to" means "to but excluding."

3. Whenever the words "include," "includes" or "including" are used in this Retrocession Agreement, they will be deemed to be followed by the words "without limitation." The word "or" shall not be disjunctive unless context requires otherwise. Any singular term in this Retrocession Agreement will be deemed to include the plural, and any plural term the singular. All pronouns and variations of pronouns will be deemed to refer to the feminine, masculine or neuter, singular or plural, as the identity of the person referred to may require. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

4. The Parties have participated jointly in the negotiation and drafting of this Retrocession Agreement; consequently, in the event an ambiguity or question of intent or interpretation arises, this Retrocession Agreement shall be construed as jointly drafted by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Retrocession Agreement.

5. No summary of this Retrocession Agreement prepared by or on behalf of any Party shall affect the meaning or interpretation of this Retrocession Agreement.

6. All capitalized terms used without definition in the Exhibits and Schedules to this Retrocession Agreement shall have the meanings ascribed to such terms in this Retrocession Agreement.

B. Binding Effect; Assignment. This Retrocession Agreement shall be binding upon and inure to the benefit of the Parties, and their respective successors and permitted assigns. This Retrocession Agreement may not be assigned by either Party, by operation of law or otherwise, without the prior written consent of the other Party, which consent may be withheld by either Party in its sole unfettered discretion. Any assignment in violation hereof shall be void. This provision shall not be construed to preclude the assignment by the Reinsurer of reinsurance recoverables to another party for collection.

C. Governing Law. This Retrocession Agreement shall be governed by and construed according to the laws of the state of Texas, exclusive of that state's rules with respect to conflicts of law.

D. Headings. The table of contents and headings preceding the text of the Articles and Sections of this Retrocession Agreement are intended and inserted solely for the convenience of reference and shall not affect the meaning, interpretation, construction or effect of this Retrocession Agreement.

E. Entire Agreement; Amendment. This Retrocession Agreement and the Transaction Agreements shall constitute the entire agreement between the Parties with respect to the Subject Business hereunder. Any change or modification of this Retrocession Agreement shall be null and void unless made by written amendment to the Retrocession Agreement and signed by all Parties. Nothing in this Article shall act to preclude the introduction of reinsurance submission-related documents in any dispute between the Parties. No termination of this Retrocession Agreement shall be effective unless such is made in writing and signed by the Parties hereto.

F. No Third Party Beneficiaries. Nothing in this Retrocession Agreement is intended or shall be construed to give any person, other than the Parties hereto and the Companies, any legal or equitable right, remedy or claim under or in respect of this Retrocession Agreement or any provision contained herein, other than the Reinsurer and the Retrocessionaire, except any other applicable party pursuant to the Article entitled **INSOLVENCY**. The Companies are intended, express third party beneficiaries of all provisions of this Retrocession Agreement.

G. Remedies. In the event of any default hereunder beyond the applicable cure period (if any), the non-defaulting Party may proceed to protect and enforce its rights either by suit in equity and/or by action at law, including, but not limited to, an action for damages as a result of any such default. The rights and remedies provided herein shall be cumulative and not exclusive of any rights or remedies provided by law, except as set forth in the Article entitled **ARBITRATION**.

H. Severability. If any provision of this Retrocession Agreement should be invalid under applicable Laws, the latter shall control but only to the extent of the conflict without affecting the remaining provisions of this Retrocession Agreement.

I. Waiver. The failure of the Reinsurer or Retrocessionaire to insist on strict compliance with this Retrocession Agreement or to exercise any right or remedy shall not constitute a waiver of any rights contained in this Retrocession Agreement nor estop the parties from thereafter demanding full and complete compliance nor prevent the Parties from exercising any remedy.

J. Force Majeure. Each Party shall be excused for any reasonable failure or delay in performing any of its respective obligations under this Retrocession Agreement, if such failure or delay is caused by Force Majeure. "Force Majeure" shall mean any act of God, strike, lockout, act of public enemy, any accident, explosion, fire, storm, earthquake, flood, drought, peril of sea, riot, embargo, war or foreign, federal, state or municipal order or directive issued by a court or other authorized official, seizure, requisition or allocation, any failure or delay of transportation, shortage of or inability to obtain supplies, equipment, fuel or labor or any other circumstance or event beyond the reasonable control of the Party relying upon such circumstance or event.

K. Survival. Notwithstanding anything to the contrary herein, all Articles of this Retrocession Agreement shall survive the termination of this Retrocession Agreement until all surviving obligations between the Parties have been finally settled.

L. Construction. Whenever the content of this Retrocession Agreement requires, the gender of all words shall include the masculine, feminine and neuter, and the number of all words shall include the singular and the plural. This Retrocession Agreement shall be construed without regard to any presumption or other rule requiring construction against the Party causing this Retrocession Agreement to be drafted.

M. Authority. Each Party has full power and authority to execute and deliver this Retrocession Agreement and to perform its obligations hereunder. The execution and delivery of this Retrocession Agreement, and the consummation of the transactions contemplated herein, have been duly and validly approved by all requisite action on the part of each Party, and no other proceedings on the part of either Party, is necessary to approve this Retrocession Agreement and to consummate the transactions contemplated herein. This Retrocession Agreement has been duly and validly executed and delivered by each Party, and constitutes the legal, valid and binding obligation of each Party, enforceable against each Party in accordance with its terms, except as enforcement may be limited by general principles of equity, whether applied in a court of law or a court of equity, and by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting or relating to creditors' rights and remedies generally.

N. Notices. All notices and other communications under this Retrocession Agreement shall be in writing and shall be deemed given (a) when delivered personally by hand, (b) when sent by email, (c) three (3) Business Days after being sent by certified mail, or (d) one (1) Business Day following the day sent by an internationally recognized overnight courier, in each case, at the following addresses, and email addresses (or to such other address or email address as a Party may have specified by notice given to the other Party pursuant to this provision):

In the case of Retrocessionaire:

R&Q Bermuda (SAC) Limited
Randall & Quilter Investment Holdings Ltd.
F B Perry Building, 40 Church Street
Hamilton HM11, Bermuda
Attention: Paul Corver
Email: [***]

With a copy to:

R&Q Solutions, LLC
Two Logan Square
Suite 600
Philadelphia, PA 19103
Attention: Christopher Reichow, U.S. General Counsel
Email: [***]

In the case of the Reinsurer:

HIIG Re
c/o Marsh Management Services Cayman Ltd.
P.O. Box 1051
Grand Cayman KY1-1102
CAYMAN ISLANDS
Attention: Kieran O'Mahony
Email: [***]

With a copy to:

HIIG Re
Legal Department
800 Gessner, Suite 600
Houston, TX 77024
Email: [***]

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF DISCLOSED.

In the case of the Companies:

Houston Specialty Insurance Company
Legal Department
800 Gessner, Suite 600
Houston, TX 77024
Email: [***]

Imperium Insurance Company
Legal Department
800 Gessner, Suite 600
Houston, TX 77024
Email: [***]

Great Midwest Insurance Company
Legal Department
800 Gessner, Suite 600
Houston, TX 77024
Email: [***]

O. Counterparts: Electronic Execution. This Retrocession Agreement may be executed in one or more counterparts, each of which will be deemed to constitute an original, but all of which shall constitute one and the same agreement, and may be delivered by electronic means intended to preserve the original graphic or pictorial appearance of a document, including portable document format (PDF) scan.

(signatures appear on the following page)

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF DISCLOSED.

IN WITNESS WHEREOF, each of the Parties has caused this Retrocession Agreement to be executed on its behalf as of April 1, 2020.

RETROCESSIONAIRE:

R&Q BERMUDA (SAC) LIMITED
ACTING IN RESPECT OF THE HIIG SEGREGATED ACCOUNT

By: /s/ Stewart Ritchie
Name: Stewart Ritchie
Title: Director

REINSURER:

HIIG RE

By: /s/ Kieran O'Mahony
Name: Kieran O'Mahony
Title: SVP March Management Services Cayman Ltd. as Assistant Secretary

COMPANIES:

HOUSTON SPECIALTY INSURANCE COMPANY

By: /s/ Peter B. Smith
Name: Peter B. Smith
Title: President

IMPERIUM INSURANCE COMPANY

By: /s/ Peter B. Smith
Name: Peter B. Smith
Title: President

(signatures continue on the following page)

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COMPANY (continued from previous page):

GREAT MIDWEST INSURANCE COMPANY

By: /s/ Peter B. Smith
Name: Peter B. Smith
Title: President

(Signature page to Loss Portfolio Transfer Retrocession Agreement — cont.)

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF DISCLOSED.

EXHIBIT A
SUBJECT BUSINESS

Group A

[***]

Group B

[***]

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF DISCLOSED.

EXHIBIT B

Reinsurance Agreement

LOSS PORTFOLIO TRANSFER AND ADVERSE DEVELOPMENT REINSURANCE AGREEMENT

by and among

HOUSTON SPECIALTY INSURANCE COMPANY,
IMPERIUM INSURANCE COMPANY,
GREAT MIDWEST INSURANCE COMPANY,

and

HIIG RE

Dated as of: April 1, 2020

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF DISCLOSED.

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LOSS PORTFOLIO TRANSFER AND ADVERSE DEVELOPMENT REINSURANCE AGREEMENT

This LOSS PORTFOLIO TRANSFER AND ADVERSE DEVELOPMENT REINSURANCE AGREEMENT (this "Reinsurance Agreement"), dated as of April 1, 2020, is made and entered into by and among, HOUSTON SPECIALTY INSURANCE COMPANY, IMPERIUM INSURANCE COMPANY, and GREAT MIDWEST INSURANCE COMPANY, each a Texas domiciled insurance company (collectively, the "Companies", individually, a "Company") and HIIG Re, a Cayman Islands corporation and an affiliate of the Companies (the "Reinsurer").

W I T N E S S E T H:

WHEREAS, the Companies and the Reinsurer wish to enter into this loss portfolio transfer and adverse development reinsurance agreement, incepting at the Effective Time, pursuant to which the Companies shall cede and the Reinsurer shall accept and reinsure all of Ultimate Net Loss arising out of or relating to Policies comprising the Subject Business, subject to the Aggregate Limit (the "Reinsured Liabilities") and the terms and conditions set forth herein;

WHEREAS, concurrent with the execution and delivery of this Reinsurance Agreement, the Reinsurer, as the retrocedent, is entering into that certain loss portfolio transfer and adverse development retrocession agreement incepting at the Effective Time, attached hereto as Exhibit B (the "Retrocession Agreement") by and between Reinsurer and R&Q Bermuda (SAC) Limited, a Bermuda limited company, acting in respect of the HIIG Segregated Account (in such capacity, the "Retrocessionaire") whereby the Reinsurer will cede and the Retrocessionaire will reinsure all of the Ultimate Net Loss, except for the portion retained by the Reinsurer pursuant to Article 5 of the Retrocession Agreement, under and subject to the terms of the Retrocession Agreement; and

WHEREAS, on the date hereof, concurrent with the execution and delivery of this Reinsurance Agreement, each Company individually, the Reinsurer, the Retrocessionaire and The Bank of New York Mellon shall enter into certain Statutory Trust Agreements, pursuant to which Retrocessionaire shall collateralize its obligations in respect of ultimate net loss reinsured under the Retrocession Agreement.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, and intending to be legally bound hereby, Reinsurer and Retrocessionaire hereby agree as follows:

ARTICLE 1

BUSINESS COVERED

A. This Reinsurance Agreement applies to all Ultimate Net Loss that is paid or payable by the Companies on and after the Effective Date in respect of the Subject Business, subject to all the terms and conditions of this Reinsurance Agreement.

B. The Reinsurer's liability under this Reinsurance Agreement shall commence at the Effective Time, and all reinsurance of Ultimate Net Loss ceded hereunder is subject to the same risks, terms, rates, conditions, assessments, interpretations, waivers, modifications, alterations and cancellations as the respective Policies to which this Reinsurance Agreement applies, except as may be expressly modified by the specific terms and conditions of this Reinsurance Agreement, the true intent of this Reinsurance Agreement being that the Reinsurer shall, except as may be expressly modified by the specific terms and conditions of this Reinsurance Agreement, (i) follow the fortunes of the Companies, and (ii) be bound, without limitation, by all payments and settlement entered into by or on behalf of the Companies, including (for the avoidance of doubt) any payments or settlements entered into from the Effective Date to the date hereof.

C. Should any regulatory or other legal restriction of any applicable jurisdiction require modification of any Policy to which this Reinsurance Agreement applies, or should any such Policy be modified in accordance with its terms or with consent of the Reinsurer, the liability of the Reinsurer will follow that of the Companies, Oklahoma Specialty Insurance Company, an affiliate of the Companies, subject to the express exclusions set forth herein and the other terms and conditions of this Reinsurance Agreement.

ARTICLE 2

DEFINITIONS

The Recitals are incorporated into this Reinsurance Agreement as if set forth at length herein. Capitalized terms as used in this Reinsurance Agreement (including in the Recitals and Article 0) shall have the meanings set forth below throughout this Reinsurance Agreement:

"Actuary's Rolled Amounts" has the meaning provided under the Article entitled **ROLL FORWARD OF ORIGINAL AMOUNTS**.

"Aggregate Limit" has the meaning provided under the Article entitled **REINSURANCE COVERAGE**.

"Agreement Deadline" has the meaning provided under the Article entitled **ROLL FORWARD OF ORIGINAL AMOUNTS**.

"Allocated Loss Adjustment Expenses" means all expenses and costs sustained, without duplication, by the Companies in connection with the adjustment, defense, settlement or litigation of claims or suits, satisfaction of judgments, or resistance to or negotiations concerning a Loss or potential Loss under specific Policies. Allocated Loss Adjustment Expenses shall include (i) the expenses and costs of TPAs (which, for the avoidance of doubt, shall not constitute Unallocated Loss Adjustment Expenses), (ii) legal expenses and costs incurred in connection with coverage analysis and questions regarding specific claims and legal actions assignable to a specific Policy, including declaratory judgment actions connected thereto (whether or not a Loss is incurred), (iii) all interest on judgments, and (iv) expenses and costs sustained to obtain recoveries, salvages or other reimbursements, or to secure the reversal or reduction of a verdict or judgment. Allocated Loss Adjustment Expenses shall not include any normal overhead, office expenses, fees, commissions, salaries and other employee compensation, and other similar expenses of the Reinsurer, TPAs, or the Companies, whether or not incurred in connection with adjusting a Loss, which shall be termed the "Unallocated Loss Adjustment Expenses."

"Board" has the meaning provided under the Article entitled **ARBITRATION**.

"Brokerage" means the brokerage fee payable to Guy Carpenter, LLC by the Reinsurer on behalf of the Retrocessionaire in respect of the transactions contemplated under the Transaction Agreements, in the amount of [***].

"Business Day" means a day other than (i) a Saturday; (ii) a Sunday; or (iii) a day on which banking institutions or trust companies in Texas, the Cayman Islands, or Bermuda, are authorized or required by applicable Law or executive order to remain closed.

"Ceded Reserves" means the Reserves for Ultimate Net Loss ceded to the Reinsurer under this Reinsurance Agreement in respect of Subject Business (including, for the avoidance of doubt, reserves for IBNR), calculated in accordance with SAP for the Companies.

"Claims Estimate" has the meaning set forth under the Article entitled **REPORTS AND SETTLEMENTS**.

"Code" means the U.S. Internal Revenue Code of 1986, as amended.

"Companies" and "Company" has the meaning provided under the Preamble.

"Confidential Information" has the meaning provided under the Article entitled **CONFIDENTIALITY**.

"Deductible" means One Hundred Five Million Dollars ($105,000,000.00), which amount shall be rolled forward pursuant to the Article entitled **ROLL FORWARD OF ORIGINAL AMOUNTS**.

"Deemed Amounts" has the meaning provided under the Article entitled **REINSURANCE WARRANTY**.

"Disclosing Party" has the meaning provided under the Article entitled **CONFIDENTIALITY**.

"Doctrine" has the meaning provided under the Article entitled **ACCESS TO RECORDS**.

"Effective Date" means April 1, 2020.

"Effective Time" means 12:00:01 a.m. Central Time on the Effective Date.

"Eligible Assets" means cash (United States legal tender), certificates of deposit (issued by a bank organized under the laws of the United States, or located in the United States, and payable in United States legal tender), or investments of the types permitted by Texas Insurance Code § 493.104; provided that such investments are issued by an institution that is not the parent, subsidiary, or affiliate of any of the Companies, the Reinsurer or the Retrocessionaire and such investments comply with the investment guidelines agreed by the Companies, the Reinsurer and the Retrocessionaire. The Companies, the Reinsurer and the Retrocessionaire agree that "Eligible Assets" shall not include any assets held or principally traded outside the United States. The Parties further agree that the defined term "Eligible Assets" do not include mortgages, collateralized debt obligations, collateralized loan obligations, real estate or derivatives. Additionally, to be an Eligible Asset, an investment must be interest bearing, interest accruing with a specific maturity date on which redemption is to be made at stated value, and not in default and shall otherwise qualify under Texas Insurance Law.

"Extra Contractual Obligations" has the meaning provided under the Article entitled **EXTRA CONTRACTUAL OBLIGATIONS/LOSS EXCESS OF POLICY LIMITS**.

"FET" has the meaning provided under the Retrocession Agreement.

"Governmental Authorities" means collectively any applicable federal, state, local or foreign governmental, administrative or regulatory authority, court, agency or instrumentality, including the Texas Department of Insurance.

"Group A Participation Attachment Point" has the meaning provided under the Article entitled **REINSURANCE COVERAGE & APPLICATION OF DEDUCTIBLE**.

"Group A Participation Attachment Point Premium" has the meaning provided under the Article entitled **REINSURANCE COVERAGE & APPLICATION OF DEDUCTIBLE**.

"Group A Policies" has the meaning set forth under the definition of Subject Business herein.

"Group A Sublimit" has the meaning provided under the Article entitled **REINSURANCE COVERAGE & APPLICATION OF DEDUCTIBLE**.

"Group B Participation Attachment Point" has the meaning provided under the Article entitled **REINSURANCE COVERAGE & APPLICATION OF DEDUCTIBLE**.

"Group B Participation Attachment Point Premium" has the meaning provided under the Article entitled **REINSURANCE COVERAGE & APPLICATION OF DEDUCTIBLE**.

"Group B Policies" has the meaning set forth under the definition of Subject Business herein.

"Group B Sublimit" has the meaning provided under the Article entitled **REINSURANCE COVERAGE & APPLICATION OF DEDUCTIBLE**.

"IBNR" means incurred but not reported losses, as calculated in accordance with SAP for the Companies.

"Inuring Reinsurance" means reinsurance or retrocession coverages and related recoverables (as applicable) for the benefit of the Companies from unaffiliated reinsurance companies to the extent covering the Subject Business which were procured prior to the earlier to occur of the date hereof and the Effective Date which shall be subject to the provisions of Article 8.

"IRS" means the U.S. Internal Revenue Service.

"Law" means any federal, state or local law, statute, ordinance, rule, regulation, or principle of common law or equity imposed by or on behalf of a Governmental Authority.

"Loss(es)" means, without duplication, all amounts paid or payable by the Companies or Oklahoma Specialty Insurance Company arising (i) under any Policy, subject to the original Policy terms and limit (or any changes to such Policy terms or limit required by applicable Law or approved in writing by the Reinsurer) or (ii) out of escheat or unclaimed property Laws applicable to the Policies. Losses shall not include Allocated Loss Adjustment Expenses.

"Loss Excess of Policy Limits" has the meaning provided under the Article entitled **EXTRA CONTRACTUAL OBLIGATIONS/LOSS EXCESS OF POLICY LIMITS**.

"Minimum Notional Amount" has the meaning provided under the Article entitled **REINSURANCE WARRANTY**.

"Net Loss" means, without duplication, all Loss, Allocated Loss Adjustment Expenses, Extra Contractual Obligations, and Loss Excess of Policy Limits, payable on and after the Effective Date in respect of the Subject Business.

"Notional Amount" has the meaning provided under the Article entitled **REINSURANCE WARRANTY**.

"NPPI" has the meaning provided under the Article entitled **PRIVACY & PROTECTION OF DATA**.

"Original Calculation Date" has meaning provided under the Article entitled **ROLL FORWARD OF ORIGINAL AMOUNTS**.

"Party" and "Parties" means either or both, as applicable, the Reinsurer and the Companies.

"PHI" has the meaning provided under the Article entitled **PRIVACY & PROTECTION OF DATA**.

"Policy(ies)" means each of the binders, policies, slips, line slips and other agreements of insurance, including all endorsements, riders and supplements thereto and all amendments thereof, in each case, of the Companies or indemnity reinsured by the Companies from Oklahoma Specialty Insurance Company.

"Premium" shall mean Ninety Seven Million One Hundred Thousand Dollars ($97,100,000.00).

"Receiving Party" has the meaning set forth under the Article entitled **CONFIDENTIALITY**.

"Reinsurance Agreement" has the meaning set forth under the Preamble.

"Reinsurance Transaction Agreements" as the meaning set forth under the Article entitled **ARBITRATION**.

"Reinsurance Warranty Amount" has the meaning set forth under the Article entitled **REINSURANCE WARRANTY**.

"Reinsurer" has the meaning set forth under the Preamble.

"Reinsurer's Adjustment Notice" has the meaning set forth under the Article entitled **ROLL FORWARD OF ORIGINAL AMOUNTS**.

"Reports" has the meaning set forth under the Article entitled **REPORTS AND SETTLEMENTS**.

"Representatives" has the meaning set forth under the Article entitled **CONFIDENTIALITY**.

"Required Collateral Amount" has the meaning set forth in the Retrocession Agreement.

"Required Funding Amount" has the meaning set forth under the Article entitled **REPORTS AND SETTLEMENTS**.

"Reserves" means, with respect to any insurer or reinsurer, as required by SAP or applicable Law of the jurisdiction of domicile of such insurance company, reserves (including any gross, net and ceded reserves, as applicable), funds or provisions for losses, claims (including reserves for IBNR), unearned premiums, costs and expenses (including Allocated Loss Adjustment Expenses).

"Retrocession Agreement" has the meaning set forth under the Recitals.

"Retrocessionaire" has the meaning set forth under the Recitals.

"Rolled Amount" has the meaning set forth under the Article entitled **ROLL FORWARD OF ORIGINAL AMOUNTS**.

"Roll Forward Agreement Date" has the meaning set forth under the Article entitled **ROLL FORWARD OF ORIGINAL AMOUNTS**.

"SAP" means, as to any insurer or reinsurer, the statutory accounting practices and principles prescribed or permitted by the Governmental Authority responsible for the regulatory of insurance and reinsurance in the jurisdiction of domicile of such insurer or reinsurer.

"Statement of Rolled Amounts" has the meaning set forth under the Article entitled **ROLL FORWARD OF ORIGINAL AMOUNTS**.

"Statutory Trust Account(s)" has the meaning set forth in the Retrocession Agreement.

"Statutory Trust Agreement(s)" means the Statutory Trust Agreements, the form of which is attached as Exhibit C hereto.

"Subject Business" means

(a) the Policies in respect of the business identified as "Group A" in Exhibit A, in each case, incepting prior to the date specified therein; and

(b) the Policies in respect of the business identified as "Group B" in Exhibit A, in each case, incepting prior to the applicable date specified therein.

"Term" has the meaning set forth under the Article entitled **COMMENCEMENT AND TERMINATION**.

"TPAs" means any and all third party administrators handling claims or performing other services in connection with the Subject Business.

"Transaction Agreements" means this Reinsurance Agreement, the Retrocession Agreement and the Statutory Trust Agreements.

"Ultimate Net Loss" means all Net Loss, which is:

(1) net of:

i. the amount of all Inuring Reinsurance; and

ii. all salvage, subrogation and recoverables (other than the amount of all Inuring Reinsurance) received by or offset for the account of the Reinsurer in respect therefor;

and

(2) subject to the Aggregate Limit and other conditions and limitations provided under the Article entitled **REINSURANCE COVERAGE**.

"Updated Calculation Date" has the meaning set forth under the Article entitled **ROLL FORWARD OF ORIGINAL AMOUNTS**.

In the event of insolvency of a Company, "Ultimate Net Loss" shall mean the amount of Ultimate Net Loss which the insolvent Company has incurred (or may incur) or is (or may become) liable for and payment by the Reinsurer shall be made to the receiver or statutory successor of the Company in accordance with the provisions of the Article entitled **INSOLVENCY**. Nothing in this Reinsurance Agreement shall be construed to mean Losses are not recoverable until the final Ultimate Net Loss to the Companies has been ascertained.

ARTICLE 3

COMMENCEMENT AND TERMINATION

The reinsurance coverage hereunder shall incept at the Effective Time and shall remain in effect until the earliest of the following (the "Term"):

1. the date on which the Aggregate Limit is exhausted by payments in respect of paid Ultimate Net Loss made by the Reinsurer;

2. the date on which all liabilities of the Companies in respect of Net Loss are extinguished and all amounts due to the Companies (or its statutory successor or receiver) under this Reinsurance Agreement with respect to Ultimate Net Loss have been paid;

3. the date on which this Reinsurance Agreement is terminated upon mutual agreement of the Reinsurer and the Companies; or

4. the date on which this Reinsurance Agreement is commuted pursuant to the Article entitled **COMMUTATION**.

ARTICLE 4

EXCLUSIONS

This Reinsurance Agreement does not apply to and specifically excludes:

1. Net Loss paid or booked as paid by the Companies or Reinsurer before the Effective Date;

2. Unallocated Loss Adjustment Expenses;

3. Any reinstatement or other premiums due under the Companies's existing reinsurance arrangements to the extent such existing reinsurance arrangements do not inure to the benefit of this Reinsurance Agreement; and

4. Any payment of profit commission or similar arrangement due from the Companies to any other reinsurer or any other party in respect of the Subject Business.

ARTICLE 5

REINSURANCE COVERAGE & APPLICATION OF DEDUCTIBLE

A. The Reinsurer hereby agrees to reimburse the Companies for one hundred percent (100%) of the Ultimate Net Loss with respect to the Subject Business, subject to the limitations provided in this Article 0.

B. Reinsurer agrees to reinsure and (subject to the Deductible and the Aggregate Limit) indemnify the Companies for Ultimate Net Loss in the amounts and subject to the conditions set forth below:

1. Group A. Reinsurer agrees to reinsure Ultimate Net Loss and (subject to the Deductible and the Aggregate Limit) indemnify the Companies for paid Ultimate Net Loss, in each case, arising out of or relating to Group A Policies in the amounts set forth as follows:

a. Reinsurer shall be liable for one hundred percent (100%) of the Ultimate Net Loss on the Group A Policies for the first Twenty Five Million Dollars ($25,000,000.00) of such Ultimate Net Loss ("Group A Participation Attachment Point"); and

b. In addition to the amount set forth in clause B.1.a above, Reinsurer shall be liable for one hundred percent (100%) of every dollar incurred of Ultimate Net Loss on the first Five Million Dollars ($5,000,000.00) of Ultimate Net Loss on Group A Policies that exceeds the Group A Participation Attachment Point, subject to payment by the Companies of additional premium (the "Group A Participation Attachment Point Premium") equal to FIFTY CENTS ($00.50) per each dollar of such incurred Ultimate Net Loss up to an aggregate amount of Two Million Five Hundred Thousand Dollars ($2,500,000) of such Group A Participation Attachment Point Premium. Until the Deductible is exhausted, such additional premium shall be notional, without any payment to Reinsurer hereunder.

c. Net Loss (and Inuring Reinsurance and all salvage, subrogation and other recoverables received by or offset for the account of the Companies in respect of any of the foregoing) that would otherwise constitute Ultimate Net Loss on Group A Policies but that are incurred (or that correspond to Net Loss) in excess of the first net aggregate Thirty Million Dollars ($30,000,000.00) of such Ultimate Net Loss ceded hereunder (the "Group A Sublimit") shall be disregarded and shall not constitute Ultimate Net Loss.

2. Group B. Reinsurer agrees to reinsure Ultimate Net Loss and (subject to the Deductible and the Aggregate Limit) indemnify Companies for the Ultimate Net Loss on Policies written for paid Ultimate Net Loss, in each case, arising out of or relating to Group B Policies, in the amounts set forth as follows:

a. Reinsurer shall be liable for one hundred percent (100%) of the Ultimate Net Loss on the Group B Policies for the first One Hundred Fifty Million Dollars ($150,000,000.00) of such Ultimate Net Loss ("Group B Participation Attachment Point"); and

b. In addition to the amount set forth in clause B.2.a above, Reinsurer shall be liable for one hundred percent (100%) of every dollar incurred of Ultimate Net Loss on the first Seventy Million Dollars ($70,000,000.00) of Ultimate Net Loss on Group B Policies that exceeds the Group B Participation Attachment Point, subject to payment by the Companies of additional premium (the "Group B Participation Attachment Point Premium") equal to FIFTY CENTS ($00.50) per each dollar of such incurred Ultimate Net Loss up to an aggregate amount of Thirty Five Million Dollars ($35,000,000) of such Group B Participation Attachment Point Premium. Until the Deductible is exhausted, such additional premium shall be notional and shall be credited to increase the amount remaining in respect of the Deductible, without any payment to Reinsurer hereunder.

c. In addition to the amounts set forth in clauses B.2.a and b, Reinsurer shall be liable for one hundred percent (100%) of Ultimate Net Loss on the Group B Policies that is in excess of Two Hundred Twenty Million Dollars ($220,000,000.00) of such Ultimate Net Loss, up to an aggregate amount of Thirty-Six Million Dollars ($36,000,000.00) of such Ultimate Net Loss; and

d. Net Loss (and Inuring Reinsurance and all salvage, subrogation and other recoverables actually received by or offset for the account of the Companies in respect of any of the foregoing) that would otherwise constitute Ultimate Net Loss on Group B Policies but that are incurred (or that correspond to Net Loss incurred) in excess of the first net aggregate Two Hundred Fifty Six Million ($256,000,000.00) of such Ultimate Net Loss ceded hereunder (the "Group B Sublimit") shall be disregarded and shall not constitute Ultimate Net Loss.

3. Reinsurer's maximum aggregate limit of liability for indemnification of paid Ultimate Net Loss shall in no event exceed One Hundred Forty Three Million Five Hundred Thousand Dollars ($143,500,000.00) (the "Aggregate Limit"), being the sum of the maximum amounts payable by Reinsurer under Section B of this Article 0 less the Deductible less the maximum amount of Group A Participation Attachment Point Premium and Group B Participation Attachment Point Premium payable to or eligible for crediting to the account of the Reinsurer under Section B of this Article 0. For the avoidance of doubt, the Aggregate Limit shall be rolled forward after the date hereof pursuant to the Article entitled **ROLL FORWARD OF ORIGINAL AMOUNTS**.

C. Application of Deductible

1. Prior to any cash settlement by the Reinsurer to cover its liability for paid Ultimate Net Losses, the Companies shall apply the Deductible funds to the settlement of the Reinsurer's liability for paid Ultimate Net Losses, which shall erode the amount remaining in respect of the Group A Sublimit and the Group B Sublimit but shall not erode the amount remaining in respect of the Aggregate Limit.

2. For the avoidance of doubt, the Companies shall not apply the Deductible toward payment of its obligations under Section B.2.d. above. Furthermore, the Companies shall not apply the Deductible toward any Ultimate Net Loss incurred (A) in respect of the Group A Policies, in excess of the Group A Sublimit or (B) in respect of the Group B Policies, in excess of the Group B Sublimit, which liabilities shall not, in either case, constitute Ultimate Net Loss.

ARTICLE 6

PREMIUM

A. The payment of Premium to Reinsurer hereunder includes the amount due in respect of the Brokerage and FET assessed on the amount of such Premium transferred to the Retrocessionaire under the Retrocession Agreement.

B. On the date hereof, the Companies shall transfer the Premium due to Reinsurer under Section A above. Pursuant to the Retrocession Agreement, on the date hereof, Reinsurer shall transfer the Premium (less the amount of Brokerage and FET imposed on the Premium transferred to the Retrocessionaire thereunder, which Brokerage shall be paid by Reinsurer to Guy Carpenter and which FET shall be withheld and remitted by Reinsurer in accordance with Article 20 of the Retrocession Agreement) directly to the Statutory Trust Accounts described in Article 0 below, as more particularly set forth in such Article 0.

ARTICLE 7

ROLL FORWARD OF ORIGINAL AMOUNTS

A. The Companies and the Reinsurer agree and acknowledge that certain sums set forth in this Reinsurance Agreement have been calculated as of June 30, 2019 (the "Original Calculation Date"). Consequently, at the Effective Time there will have been changes to Ceded Reserves, paid Losses and other figures since the Original Calculation Date. Accordingly, the Companies shall roll forward the following amounts in accordance with the procedures set forth on Exhibit D to reflect, among other things, claims reported and paid claims subject to this Reinsurance Agreement under the Policies covered hereunder from the Original Calculation Date to the last day of the month ending prior to the date hereof (such date, the "Updated Calculation Date" and such amounts, the "Rolled Amounts"):

1. Ceded Reserves, calculated as of the Updated Calculation Date;

2. The Deductible;

3. The Aggregate Limit;

4. The Group A Participation Attachment Point, Group B Participation Attachment Point, Group A Sublimit, and Group B Sublimit; and

5. Required Collateral Amount, calculated as of the Updated Calculation Date.

B.

1. The Companies shall deliver to Reinsurer, within five (5) Business Days after the date hereof, a statement setting forth amounts from the Original Calculation Date and the Rolled Amounts (the "Statement of Rolled Amounts"), together with the backup documentation and information reasonably necessary to verify the Rolled Amounts. In addition, Companies shall provide any other information reasonably requested by the Reinsurer in connection therewith.

2. Reinsurer shall deliver to Retrocessionaire the Statement of Rolled Amounts and documentation and information set forth in Section B.1 above immediately after receipt thereof. The Rolled Amounts shall be agreed upon as between Reinsurer and Retrocessionaire in accordance with the terms of the Retrocession Agreement. Within ten (10) Business Days of Retrocessionaire and Reinsurer's agreement on the Rolled Amounts (the "Agreement Deadline"), the Reinsurer shall advise the Companies, in writing, of its agreement or disagreement with the calculation of the Rolled Amounts as delivered by Companies ("Reinsurer's Adjustment Notice"). If the Reinsurer agrees with such calculation or fails to notify the Companies of its agreement or disagreement with such calculation by the Agreement Deadline, then the Statement of Rolled Amounts shall be deemed final and binding on the parties unless a dispute is pending pursuant to Article 7 of the Retrocession Agreement, in which case, the Statement of Rolled Amounts shall not be deemed final and binding until the resolution of such dispute thereunder and the implementation of any final and binding changes to the Statement of Rolled Amounts (as defined thereunder) in the Statement of Rolled Amounts delivered hereunder.

3. If the Reinsurer has any good faith disagreement to the Companies' calculation of the Rolled Amounts, then within ten (10) Business Days following the delivery of the Reinsurer's Adjustment Notice, the Parties shall use good faith efforts to mutually agree to the Rolled Amounts. The Parties hereby acknowledge and agree that either party's ability to object to Rolled Amounts in accordance with this Section is preclusive of all other rights of such Party to challenge such Rolled Amounts.

4. In the event the Parties are unable to reach agreement as to the Rolled Amounts within ten (10) Business Days following the delivery of the Reinsurer's Adjustment Notice, the Reinsurer and the Companies shall, mutually appoint an independent actuary or, in the event that they fail to agree on the selection of an independent actuary, within ten (10) Business Days thereafter, each Party shall name three independent actuary candidates of which the other Party shall decline two, and the selection of the independent actuary as between the two remaining independent actuary candidates shall be made by the Party winning a coin toss. If either Party fails to provide such three names within such ten (10) Business Day period, the other Party shall select the independent actuary. All independent actuary candidates shall be disinterested in the outcome and shall be Fellows of the Society of Actuaries/Fellows of the Casualty Actuarial Society. The cost of the independent actuary selected shall be split evenly between the Reinsurer and the Companies. The independent actuary's determination of the Rolled Amounts (the "Actuary's Rolled Amounts") shall be final and binding on the Parties. The Parties shall instruct the independent actuary to limit its review to matters objected to by the Reinsurer and not resolved by written agreement of the Parties.

5. The independent actuary shall act as an expert, not as an arbitrator, and neither the determination of the independent actuary, nor this Reinsurance Agreement to submit to the determination of the independent actuary, shall be subject to or governed by the Federal Arbitration Act, 9 U.S.C. § 1 et seq., or any state arbitration law or regime.

6. The earliest of the dates when (i) the Reinsurer timely notifies the Companies of its acceptance of the Rolled Amounts by delivery of the Reinsurer's Adjustment Notice, (ii) the Agreement Deadline (as defined hereunder and under the Retrocession Agreement) passes and both (A) the Reinsurer fails to notify the Companies of its disagreement with the Rolled Amounts by timely delivery of the Reinsurer's Adjustment Notice and (B) the Retrocessionaire fails to notify the Reinsurer of its disagreement with the Rolled Amounts (as defined under the Retrocession Agreement) by timely delivery of the Retrocessionaire's Adjustment Notice (as defined under the Retrocession Agreement), (iii) in the event that) the Reinsurer disagrees with the Rolled Amounts by timely delivery of the Reinsurer's Adjustment Notice, or the Retrocessionaire disagrees with the Rolled Amounts (as defined under the Retrocession Agreement) by timely delivery of the Retrocessionaire's Adjustment Notice (as defined under the Retrocession Agreement), the date when, (A) in the case of the Reinsurer's disagreement under this Article 0, the Parties mutually agree to the Rolled Amounts or the Parties receive the Actuary's Rolled Amounts, or, (B) in the case of the Retrocessionaire's disagreement under Article 7 of the Retrocession Agreement, the Parties (as defined under the Retrocession Agreement) mutually agree to the Rolled Amounts (as defined under the Retrocession Agreement) or the Parties (as defined under the Retrocession Agreement) receive the Actuary's Rolled Amounts (as defined under the Retrocession Agreement) and such changes as may become final and binding on the Statement of Rolled Amounts (as defined under the Retrocession Agreement) are made to the Statement of Rolled Amounts hereunder to the extent applicable thereto, in each case, shall be known as the "Roll Forward Agreement Date." Any amounts due and owing between the Parties in respect of this Article 7 will be settled within five (5) Business Days of the Roll Forward Agreement Date.

7. In the event that an adjustment to Premium (as defined in the Retrocession Agreement) is finally determined pursuant to Article 7 of the Retrocession Agreement, the Companies shall transfer to the Reinsurer cash in an amount equal to the difference between the Premium and the adjustment Premium calculated thereunder. At its election, the Companies shall be a party to any arbitration pursuant to Article 15 of the Retrocession Agreement concerning any adjustment to Premium pursuant to Article 7 thereof.

8. No difference in the Rolled Amounts as agreed between the Retrocessionaire and Reinsurer pursuant to the terms of the Retrocession Agreement and the Rolled Amounts as agreed between Reinsurer and Companies pursuant to the terms of this Reinsurance Agreement shall increase the Retrocessionaire's liability under the Retrocession Agreement in any way, and only the Rolled Amounts as agreed between Retrocessionaire and Reinsurer shall be binding on Retrocessionaire.

ARTICLE 8

REINSURANCE WARRANTY

A. The Parties have agreed that a certain amount of reinsurance recoverables will be deemed collected under the Inuring Reinsurance (the "Deemed Amounts") and applied toward Ultimate Net Loss. The Companies hereby agrees that a certain amount of reinsurance recoverables in excess of the Deemed Amounts will be further deemed recovered, up to [***] (the "Reinsurance Warranty Amount") determined in accordance with this Article 8. The Companies shall perform the calculation described below, measured from the Original Calculation Date, once per calendar quarter occurring after the exhaustion of the Deductible and shall deliver its calculation to the Reinsurer within ten (10) Business Days following the last day of each such quarter.

B. To determine the amount of the Reinsurance Warranty Amount (if any) to be applied to Ultimate Net Loss, the following calculation is conducted:

Step 1. Determine the "Notional Amount," which shall be, as of any date of determination, an amount equal to the sum of following:

(i) [***]; ***less***

(ii) [***]; ***plus***

(iii) Interest on the sum of (i) and (ii), charged at Two Percent (2%) per annum, calculated on an annual basis from the date hereof to the date of determination.

Step 2. Compare the Notional Amount to the "Minimum Notional Amount," which shall be, as of any date of determination, an amount equal to the lesser of:

(i) [***]; or

(ii) the greater of:

(a) [***]; and

(b) [***] less the Notional Amount calculated as of such date of determination.

If the Notional Amount determined pursuant to Step 1 is less than the Minimum Notional Amount determined pursuant to Step 2, the calculation continues at Step 3. If, as of any date of determination, the Notional Amount is greater than the Minimum Notional Amount, then the Deemed Amounts are satisfied and the Reinsurer shall not be entitled to any further deemed amounts applied toward Ultimate Net Loss in respect of the Reinsurance Warranty Amount (and, for the avoidance of doubt, the calculation shall not continue to Step 3).

Step 3. Calculate the "Additional Excess Recoverables" as follows:

(i) for non-proportional reinsurance recoveries – non-proportional Inuring Reinsurance constituting Ultimate Net Losses on Group B Policies ***minus*** [***]; ***plus***

(ii) for proportional reinsurance recoveries – proportional Inuring Reinsurance constituting Ultimate Net Losses on Group B Policies minus [***].

The amount of the Additional Excess Recoverables is applied to reduce the amount of the Reinsurance Warranty Amount applicable to Ultimate Net Loss.

See Exhibit E for an example calculation of this reinsurance warranty.

C. For purposes of the calculation detailed in this Article 0, recoveries on the following types of Inuring Reinsurance shall count towards the satisfaction of the Additional Excess Recoverables: facultative (whether proportional or excess of loss), excess of loss, reinsurance covering excess liability insurance, and other proportional reinsurance.

D. Inuring Reinsurance shall not diminish and the Reinsurer's liability hereunder shall not be increased by reason of any Company's inability to collect from any other reinsurers any amounts which are included in Inuring Reinsurance hereunder, whether such inability to collect arises from (i) the insolvency of such other reinsurers, (ii) breach of the agreements with such other reinsurers, (iii) the presence of any "net retained lines" or similar provisions in any agreements with such reinsurers which prevent a Company from recovering such Inuring Reinsurance, (iv) the fact that agreements with such other reinsurers are no longer in force or became terminated, (v) the fact that a Company failed to timely pay any reinsurance reinstatement premium, or (vi) any other reason whatsoever, regardless of whether Reinsurer or any Company was aware of such reason prior to the execution of this Reinsurance Agreement.

Notwithstanding anything herein to the contrary in this Reinsurance Agreement, the Companies may not consent to any commutation of any Inuring Reinsurance without the consent of the Reinsurer. In the event that any commutation of any Inuring Reinsurance is made without the consent of the Reinsurer, such Inuring Reinsurance subject to such commutations shall be deemed to continue in force and collectible in full as if such commutation had not been made.

A. Notwithstanding anything to the contrary in this Reinsurance Agreement, the Companies shall keep in force all existing reinsurance arrangements inuring to the benefit of this Reinsurance Agreement and shall timely pay all reinstatement or other premiums due under such existing reinsurance arrangements. In the event that Inuring Reinsurance is diminished, terminated, or not extended or renewed due to failure to timely pay reinstatement or other premiums due under its existing reinsurance arrangements, such Inuring Reinsurance shall be deemed to continue in force and collectible in full as if such payment had been timely made.

ARTICLE 9

ADMINISTRATION OF SUBJECT BUSINESS

The Companies will be responsible for the handling and administration of the Subject Business claims under this Reinsurance Agreement, including managing and supervising any TPAs or other vendors retained to assist in the handling of such claims.

A. The Companies shall investigate, adjust, settle, defend or otherwise handle all such claims as follows:

1. The Companies may establish total Net Loss reserves up to [***] per Subject Business claim.

2. The Companies may settle any Subject Business claim up to [***] in total Net Loss per claim.

3. The Companies shall not settle or reserve any Subject Business claim in excess of its authority, as provided herein, without prior written approval from the Reinsurer.

4. The Companies will prepare and submit to the Reinsurer a large loss report, with sufficient particulars to identify the facts of the claim, in an agreed upon format, and provide all requested relevant documentation, for all reserve or settlement authority requests on Subject Business claims in excess of the Companies's authority hereunder.

5. Reinsurer shall provide a written response to all of the Companies's authority requests as soon as practicable, but no later than five (5) Business Days.

B. The Companies shall provide Reinsurer written notice of any demand, whether time-sensitive or otherwise, to settle any Subject Business claim for available policy limits as soon as practicable, but no later than forty-eight (48) hours before the expiration of any time-sensitive demand, and will provide Reinsurer all relevant information in the Companies's possession to evaluate such demand. Reinsurer shall provide a written response to the Companies with respect to any such time-sensitive policy-limit demands as soon as practicable, but no later than the expiration of such demand.

C. The Companies shall retain and utilize vendors that the Companies deems reasonably necessary in the performance of its claims-handling services under this agreement, including, but not limited to, attorneys, estimators, appraisers, investigators, independent adjusters, experts or other advisors, collection companies, and any other claims-related vendors deemed necessary by the Companies in the administration of any Subject Business claim. The costs of any such vendors shall constitute Allocated Loss Adjustment Expense under this agreement.

D. The Companies shall handle all submitted claims in accordance with:

1. the care, skill, prudence, diligence and expertise that would be expected from experienced and qualified personnel performing such duties in like circumstances;

2. the established Claims Handling Guidelines, Claims Litigation Guidelines and Claims Legal Guidelines; and

3. the requirements of all applicable laws and regulations.

E. The Companies shall not terminate or change any TPA engaged to assist in the handling of the Subject Business claims as of the Effective Date, without Reinsurer's prior written approval, except that the Companies may amend, modify, change or expand the terms of its engagement of any current TPA used by the Companies to administer the Subject Business claims.

F. The Companies shall cooperate, and ensure cooperation of any applicable TPAs, in all respects with Reinsurer, including, but not limited to, providing to Reinsurer all relevant information about the Subject Business claims, as Reinsurer may reasonably request, and be reasonably available to discuss individual Subject Business claims with Reinsurer.

G. The Companies will ensure that Reinsurer has electronic access to all applicable claims systems and documents for the Subject Business claims, both during the duration of the Term of this Reinsurance Agreement, and for such period of time after the termination of the Term as may be reasonably necessary for Reinsurer to fulfill any of its surviving obligations under the Agreement or to fulfill the requirements of applicable Law, at no additional cost to Reinsurer.

H. The Companies will invite Reinsurer to participate in all large loss conferences with respect to Subject Business claims.

I. The Companies will be available to meet monthly or as otherwise deemed reasonably necessary by Reinsurer to discuss any issues related to the handling of Subject Business claims.

J. Reinsurer and the Companies will each designate a single point of contact to address any issues that may arise regarding the handling of an individual Subject Business claim, or to generally address the administration of Subject Business claims.

K. The Companies, to the extent commercially reasonable, will pursue their rights to salvage or subrogation relating to any Net Loss. Should any Company choose not to pursue a subrogation or salvage that the Reinsurer would like to pursue, the Reinsurer is hereby authorized and empowered to instigate such action in the name of such Company, and from any amount recovered by the Reinsurer there shall be first deducted the Reinsurer's expenses incurred in effecting the recoveries. The Companies hereby agree to cooperate with the Reinsurer to enforce its rights to salvage or subrogation and to cooperate with the Reinsurer in the prosecution of all claims arising out of such rights, to the extent commercially reasonable. The Companies agree to furnish the Reinsurer, on request, any and all legal instruments necessary to implement the foregoing assignment.

ARTICLE 10

ACCOUNTING FOR RESERVES

A. In calculating and maintaining Ceded Reserves, the Companies shall comply with (i) applicable statutory accounting principles and guidance and generally accepted actuarial standards and principles applied in a manner consistent with past practice used for calculating and maintaining such Ceded Reserves, and (ii) the requirements of any applicable Law, including, the insurance laws and regulations of the State of Texas, and shall otherwise be consistent with Companies' standard procedures for calculating and maintaining Reserves.

B. Neither Party has made, hereby makes or shall make any representation or warranty to the other Party as to (i) the proper accounting or tax treatment by such other Party of the transaction provided for in this Reinsurance Agreement or (ii) the proper future accounting or tax treatment of the transaction provided for in this Reinsurance Agreement. Further, each Party acknowledges and agrees that, in making its independent determination that the transaction provided for in the Reinsurance Agreement is properly accounted for as reinsurance for SAP, GAAP and federal income tax purposes, it did not rely, in any respect, upon any representation or determination made by the other Party.

ARTICLE 11

COLLATERAL; STATUTORY TRUST ACCOUNTS; CREDIT FOR REINSURANCE

A. Collateral; Statutory Trusts. The Parties intend that the Statutory Trust Accounts will contain the amount of collateral required to secure the amount of Reinsurer's obligations to each Company individually in respect of Ultimate Net Loss which is retroceded to the Retrocessionaire.

B. Credit for Reinsurance. If, at any time during the Term of this Reinsurance Agreement, any Company individually does not qualify for full statutory accounting credit in respect of the Reinsurance Agreement for admitted reinsurance by regulatory authorities having jurisdiction over such Company by reason of its Statutory Trust Account not complying with applicable insurance laws or regulations such that a financial or accounting penalty to such Company would result on any statutory statement or report such Company is required to make or file with insurance regulatory authorities (or a court of law in the event of insolvency), the Reinsurer shall secure the Reinsurer's share (subject to the limitations reflected in, Article 5 hereof) of obligations under the Reinsurance Agreement for which such full statutory credit is not granted by those authorities in a manner, form, and amount acceptable to such Company and to all applicable insurance regulatory Governmental Authorities. The Company shall cooperate with the Reinsurer to secure such credit for reinsurance as needed.

ARTICLE 12

REPORTS AND SETTLEMENTS

A. Reports. After receiving data from the TPA, the Companies shall prepare and deliver the electronic reports listed below (the "Reports") with respect to the entirety of the Subject Business. Within two (2) Business Days following the accounting close of each month (such close occurring on the 15th of the subsequent month), the Companies shall deliver a Report in a format to be mutually agreed upon by the Parties which contains such accounting and journal entries and details (i) as may be necessary and customary to enable the Reinsurer to determine the amounts owed hereunder from the Reinsurer, as the case may be, and (ii) as may be required to permit the Reinsurer to prepare, make and file necessary or required financial and statistical reports and financial statements or otherwise comply with applicable Law.

Such Report shall, without limitation, include the amount of the following, on a monthly and cumulative basis, as at the close of the applicable month (such close as defined above):

1. Amounts paid in respect of Ultimate Net Loss;

2. Outstanding case and IBNR Reserves;

3. Ceded Reserves;

4. a statement of any amount(s) payable by the Reinsurer, including an itemization of all of the payments that are being billed to the Reinsurer for the applicable monthly accounting period;

5. Status of Reinsurance Warranty, including a listing of applicable Inuring Reinsurance;

6. Amounts paid in erosion of the remaining amount of the Deductible;

7. Amounts paid in erosion of the remaining amount of the Aggregate Limit; and

8. any other information in connection with settlements hereunder reasonably requested by Reinsurer.

B. The Reports outlined in this Article shall continue until the conclusion of the Term of this Reinsurance Agreement.

C. Settlements. The Parties shall conduct monthly settlements (other than with respect to any amounts satisfied intra-month through withdrawal by the Companies from the Claims Payments Account) based upon the reporting provided in Section A above evidencing the amount due, subject to Section D below. Any payment, transfer or crediting of amounts required under this Section shall be made within five (5) Business Days following the date of the delivery of the applicable Report (any such date, the "Settlement Date"). For the avoidance of doubt, in no event shall an obligation of Reinsurer to make a payment pursuant to this Article 12, be postponed or delayed to a date later than the Settlement Date as a result of any pending or threatened dispute pursuant to this Agreement, except for amounts due under this Article that are disputed in good faith by Reinsurer including in respect of any amount due hereunder.

D. Claims Payments Account.

1. The Companies shall establish and maintain a demand deposit account for purposes of facilitating interim settlements of amounts due under this Reinsurance Agreement in respect of Ultimate Net Loss indemnifiable by the Reinsurer (the "Claims Payments Account").

2. On the first Business Day of each monthly accounting period following the exhaustion of the Deductible, the Retrocessionaire shall transfer to the Claims Payments Account cash in an amount sufficient to bring the balance of the Claims Payments Account to an amount equal to the trailing two (2) month average of payments of Ultimate Net Loss (as defined under the Retrocession Agreement) (the "Required Funding Amount"). If at any time during a monthly accounting period the funds in a Claims Payments Account are, in the Companies's reasonable estimate, insufficient to pay all of the Ultimate Net Loss payable in such monthly accounting period, the Companies shall provide a statement (a "Claims Estimate") setting forth in reasonable detail a description of the additional proposed payments of Ultimate Net Loss anticipated to be required during the remainder of such monthly accounting period and the amount by which the then current balance in the Claims Payments Account falls short of the aggregate amount set forth in the Claims Estimate.

ARTICLE 13

COMMUTATION

A. This Reinsurance Agreement shall be commuted effective at any calendar quarter end, subject to any required regulatory approvals, if applicable, (i) upon commutation of the Retrocession Agreement or (ii) with the mutual agreement of the Companies and the Reinsurer.

B. At commutation, the Reinsurer shall pay to the Companies the present value of any and all Ultimate Net Loss liability outstanding hereunder, as mutually agreed by the Companies and Reinsurer.

C. Upon payment of the commutation amount, all payable Ultimate Net Losses are deemed paid, both Parties shall be released of further liability under the terms and conditions of this Reinsurance Agreement and this Reinsurance Agreement shall be deemed commuted and terminated.

D. It is agreed that on the day of commutation, the Companies shall release any and all letters of credit, trust accounts (including the Statutory Trust Accounts) or any other collateral posted by the Reinsurer, as applicable, under this Reinsurance Agreement.

ARTICLE 14

ACCESS TO RECORDS

A. All records remain the property of the Companies.

B. The Reinsurer or its designated representatives shall have the right to inspect (and make copies) at all reasonable times and upon reasonable prior notice to Companies, during the Term of this Reinsurance Agreement, or Retrocession Agreement, as applicable, and for any reasonable purpose thereafter, all proprietary and non-privileged books, records and papers of the Companies directly related to any reinsurance hereunder, or the subject matter hereof, including, but not limited to administrative records, claim records, Policy files, and related documents and information, and Reinsurer shall have the right to make photocopies thereof at its expense. All such books, records, and papers shall be kept available by Reinsurer and its departmental or branch offices for a period of not less than five (5) years after the termination date of this Reinsurance Agreement. Should the Reinsurer assume administration of claims for any of the Subject Business, the Companies or its designated representatives shall have the right to inspect (and make copies) at all reasonable times and upon prior reasonable notice to Reinsurer during the Term of this Reinsurance Agreement, and thereafter, all proprietary and non-privileged books, records and papers of the Reinsurer directly related to the Reinsurer's administration of claims, and the Companies shall have the right to make photocopies thereof at its expense. All such books, records, and papers shall be kept available by Reinsurer and its departmental or branch offices for a period of not less than five (5) years after the termination date of this Reinsurance Agreement.

C. For the purposes of this Article, "non-privileged" refers to books, records and papers that are not subject to the Attorney-client privilege and Attorney-work product doctrine. "Attorney-client privilege" and "Attorney-work product" shall have the meanings ascribed to each by statute and/or the court of final adjudication in the jurisdiction whose laws govern the substantive law of a claim arising under a Policy reinsured under this Reinsurance Agreement.

D. Notwithstanding anything to the contrary in this Reinsurance Agreement, for any claim or Loss under a Policy reinsured under this Reinsurance Agreement, should either Party claim, pursuant to the Common Interest Doctrine ("Doctrine"), that it has the right to examine any document that is alleged to be subject to the Attorney-client privilege or the Attorney-work product privilege, upon the claiming Party providing to the other Party substantiation of any law which reasonably supports the basis for the conclusion that the Doctrine applies and the Doctrine will be upheld as applying between the Parties as against third parties pursuant to the substantive law(s) which govern the claim or Loss, the claiming Party shall be given access to such document.

E. Notwithstanding the foregoing, the Parties shall permit and not object to the other Party's access to privileged documents in connection with any underlying claim reinsured hereunder following final settlement or final adjudication of the case or cases involving such claim; provided that the Party may defer release of such privileged documents if there are subrogation, contribution, or other third party actions with respect to that claim or case, which might jeopardize the Party's defense by release of such privileged documents. In the event a Party shall seek to defer release of such privileged documents, it will, in consultation with the other Party, take other steps as reasonably necessary to provide the requesting Party with the information it reasonably requires to evaluate exposure, establish Reserves or indemnify without causing a loss of such privileges. The Parties shall in no event have access to privileged documents relating to any dispute between the Parties. Furthermore, in the event that a Party demonstrates a need for information contained in privileged documents prior to the resolution of the underlying claim, the other Party agrees it will endeavor to undertake steps as reasonably necessary to provide the requesting Party with the information it reasonably requires to indemnify the other Party without causing a loss of such privilege.

F. The provisions of this Article 14 shall survive the termination of the Reinsurance Agreement.

ARTICLE 15

ARBITRATION

A. Any and all disputes between the Companies and the Reinsurer arising out of, relating to, or concerning this Reinsurance Agreement, whether sounding in contract or tort and whether arising during or after termination of this Reinsurance Agreement, shall be submitted to the decision of a board of arbitration composed of two (2) arbitrators and an umpire ("Board") meeting at a site in the city in which the principal headquarters of the Companies are located. The arbitration shall be conducted and shall proceed as set forth in the ARIAS-US Rules for the Resolution of U.S. Insurance and Reinsurance Disputes and the procedures below.

B. A notice requesting arbitration, or any other notice made in connection therewith, shall be in writing and be sent certified or registered mail, return receipt requested to the affected Party. The notice requesting arbitration shall state in particular all issues to be resolved, shall appoint the arbitrator selected by the claimant and shall set a tentative date for the hearing, which date shall be no sooner than ninety (90) days and no later than one hundred fifty (150) days from the date that the notice requesting arbitration is mailed. Within thirty (30) days of receipt of claimant's notice, the respondent shall notify claimant of any additional issues to be resolved in the arbitration and of the name of its appointed arbitrator.

C. The members of the Board shall be impartial, disinterested and not currently representing any Party participating in the arbitration, and shall be current or former senior officers of insurance or reinsurance concerns, experienced in the line(s) of business that are the subject of this Reinsurance Agreement. The Companies and the Reinsurer as aforesaid shall each appoint an arbitrator and the two (2) arbitrators shall choose an umpire before instituting the hearing. If the respondent fails to appoint its arbitrator within thirty (30) days after having received claimant's written request for arbitration, the claimant is authorized to and shall appoint the second arbitrator. If the two (2) arbitrators fail to agree upon the appointment of an umpire within thirty (30) days after notification of the appointment of the second arbitrator, within ten (10) days thereof, the two (2) arbitrators shall request ARIAS-U.S. ("ARIAS") to apply its procedures to appoint an umpire for the arbitration with the qualifications set forth above in this Article. If the use of ARIAS procedures fails to name an umpire, either Party may apply to a court of competent jurisdiction to appoint an umpire with the above required qualifications. The umpire shall promptly notify in writing all Parties to the arbitration of his selection and of the scheduled date for the hearing. Upon resignation or death of any member of the Board, a replacement shall be appointed in accordance with the same procedures pursuant to which the resigning or deceased member was appointed pursuant to this Article 15.

D. The claimant and respondent shall each submit initial briefs to the Board outlining the facts, the issues in dispute and the basis, authority, and reasons for their respective positions within thirty (30) days of the date of notice of appointment of the umpire. The claimant and the respondent may submit a reply brief to the Board within ten (10) days after filing of the initial brief(s). Initial and reply briefs may be amended by the submitting Party at any time, but not later than ten (10) days prior to the date of commencement of the arbitration hearing. Reasonable responses shall be allowed at the arbitration hearing to new material contained in any amendments filed to the briefs but not previously responded to.

E. The Board shall consider this Reinsurance Agreement as an honorable engagement and shall make a decision and award with regard to the terms expressed in this Reinsurance Agreement, the original intentions of the Parties to the extent reasonably ascertainable, and the custom and usage of the insurance and reinsurance business that is the subject of this Reinsurance Agreement. Notwithstanding any other provision of this Reinsurance Agreement, the Board shall have the right and obligation to consider underwriting and submission-related documents in any dispute between the Parties.

F. The Board shall be relieved of all judicial formalities and the formal rules of evidence, and the decision and award shall be based upon a hearing in which evidence that is relevant shall be allowed. Cross examination and rebuttal shall be allowed. The Board may request a post-hearing brief to be submitted within twenty (20) days of the close of the hearing.

G. The Board shall render its decision and award in writing within thirty (30) days following the close of the hearing or the submission of post-hearing briefs, whichever is later, unless the Parties consent to an extension. Every decision by the Board shall be by a majority of the members of the Board and each decision and award by the majority of the members of the Board shall be final and binding upon all Parties to the proceeding. Such decision shall be a condition precedent to any right of legal action arising out of the arbitrated dispute which either Party may have against the other. However, the Board is not authorized to award punitive, exemplary or enhanced compensatory damages.

H. The Board shall award interest on the award at a rate not in excess of Two Percent (2%) per annum, calculated from the date the Board determines that any amounts due the prevailing Party should have been paid to the prevailing Party.

I. Either Party may apply to a court of competent jurisdiction for an order confirming any decision and the award; a judgment of that Court shall thereupon be entered on any decision or award.

J. Each Party shall bear the expenses and costs of its own attorney and of the one arbitrator appointed by or for it in connection with all phases of the arbitration proceeding through any judicial proceedings related to the arbitration and shall jointly and equally bear with the other Party the expense of any stenographer requested, and of the umpire. The remaining costs of the pre-confirmation arbitration proceedings shall be finally allocated by the Board.

K. Subject to customary and recognized legal rules of privilege, each Party participating in the arbitration shall have the obligation to produce those documents, and as witnesses at the arbitration those of its employees, and those of its affiliates, as any other participating Party reasonably requests, providing always that the same witnesses and documents be reasonably obtainable and relevant to the issues in the arbitration and not be unduly burdensome or excessive in the opinion of the Board.

L. The Parties may mutually agree as to pre-hearing discovery prior to the arbitration hearing and in the absence of agreement, upon the request of any Party, pre-hearing discovery may be conducted as the Board shall determine in its sole discretion to be in the interest of fairness, full disclosure, and in furtherance of a prompt hearing, decision and award by the Board.

M. The Board shall be the final judge of the composition of the Board, the procedures of the Board, the conduct of the arbitration, the rules of evidence, the rules of privilege, discovery and production and the excessiveness and relevancy of any witnesses and documents upon the petition of any participating Party. To the extent permitted by law, the Board shall have the authority to issue subpoenas and other orders to enforce its decisions. The Board shall also have the authority to issue interim decisions or awards in the interest of fairness, full disclosure, and a prompt and orderly hearing and decision and award by the Board.

N. Nothing in this Article shall preclude any of the Parties engaged in arbitration from settling the dispute and withdrawing from an arbitration established to resolve that dispute.

O. The provisions of this Article will survive the termination of this Reinsurance Agreement.

P. If a dispute arising under this Reinsurance Agreement is related to a dispute arising out of the Retrocession Agreement (together, the "Reinsurance Transaction Agreements") all such disputes may be brought in a single arbitration, in each case, to the extent permitted under the respective applicable Reinsurance Transaction Agreement. If one or more arbitrations are already pending with respect to a dispute under this Reinsurance Agreement or a dispute under the other Reinsurance Transaction Agreement, then any Party may request that any arbitration or any new related dispute be consolidated into any such prior arbitration. Such new dispute or arbitration shall be so consolidated, provided that the Board for the prior arbitration determines that: (i) the new dispute or arbitration presents significant issues of law or fact common with those in the pending arbitration; (ii) no party would be unduly prejudiced; and (iii) consolidation under these circumstances would not result in undue delay for the prior arbitration. Any such order of consolidation issued by the Board shall be final and binding upon the Parties. The Parties waive any right they have to appeal or to seek interpretation, revision or annulment of such order of consolidation, including in any court. The Board for the arbitration into which a new dispute is consolidated shall serve as the Board for the consolidated arbitration.

ARTICLE 16

CONFIDENTIALITY

A. The information, data, statements, representations and other materials provided by the Companies and its Representatives or the Reinsurer and its Representatives to the other arising from consideration and participation in this Reinsurance Agreement whether contained in the reinsurance submission, this Reinsurance Agreement, or in materials or discussions arising from or related to this Reinsurance Agreement, constitutes confidential or proprietary information (collectively, the "Confidential Information") unless (i) it is expressly indicated otherwise by the Party disclosing such information ("Disclosing Party") in writing from time to time to the other Party (the "Receiving Party"), or (ii) it is publicly available. This Confidential Information is intended for the sole use of the Parties to this Reinsurance Agreement (and their affiliates involved in management or operation of the Subject Business covered hereunder, the intermediaries involved in the placement of this Reinsurance Agreement, and their respective auditors, third-party service providers, professional advisors, and legal counsel, collectively termed the "Representatives") as may be necessary in analyzing and/or accepting a participation in and/or executing their respective responsibilities under or related to this Reinsurance Agreement. The Receiving Party shall protect and safeguard the confidentiality of all Confidential Information with at least the same degree of care as the Receiving Party would protect its own Confidential Information, but in no event with less than a commercially reasonable degree of care.

B. Disclosing or using Confidential Information relating to this Reinsurance Agreement, without the prior written consent of the Disclosing Party, for any purpose beyond (i) the scope of this Reinsurance Agreement, (ii) the reasonable extent necessary to perform or enforce its rights and responsibilities provided for under this Reinsurance Agreement or any Transaction Agreement, (iii) the reasonable extent necessary to administer, report to and effect recoveries under this Reinsurance Agreement, (iv) the reporting to regulatory or other Governmental Authorities as may be legally required, (v) providing the Confidential Information to Representatives with a need to know such Confidential Information, who are legally obligated by either written agreement or otherwise to maintain the confidentiality of the Confidential Information, is expressly forbidden, or (vi) as may be required by applicable Law or regulatory requirement. Copying, duplicating, disclosing, or using Confidential Information for any purpose beyond these purposes is forbidden without the prior written consent of the Disclosing Party.

C. Should a Receiving Party receive a third party demand pursuant to subpoena, summons, or court or governmental order or request, to disclose Confidential Information that has been provided by the Disclosing Party, to the extent allowed by law, the Receiving Party shall provide the Disclosing Party with written notice of any subpoena, summons, or court or governmental order or request, at least ten (10) days prior to such release or disclosure. Unless the Disclosing Party has given its prior permission to release or disclose the Confidential Information, the Receiving Party shall not comply with the subpoena prior to the actual date required by the subpoena. If a protective order or appropriate remedy is not obtained (at the sole expense of Disclosing Party), the Receiving Party may disclose only that portion of the Confidential Information that it is legally obligated to disclose. However, notwithstanding anything to the contrary in this Reinsurance Agreement, in no event, to the extent permitted by law, shall this Article require the Receiving Party not to comply with the subpoena, summons, or court or governmental order.

ARTICLE 17

CURRENCY

A. Whenever the word "dollars" or the "$" sign appears in this Reinsurance Agreement, they shall be construed to mean United States Dollars and all transactions under this Reinsurance Agreement shall be in United States Dollars.

B. Amounts paid or received by the Companies in any other currency shall be converted to United States Dollars at the rate of exchange on the date such transaction is entered on the books of the Companies.

ARTICLE 18

DELAYS, ERRORS AND OMISSIONS

Inadvertent delays, errors or omissions made in connection with this Reinsurance Agreement or any transaction hereunder (including the reporting of claims) shall not relieve either Party hereto from any liability which would have attached had such delay, error or omission not occurred, provided always that such delay, error or omission shall be rectified as soon as possible after discovery.

ARTICLE 19

EXTRA CONTRACTUAL OBLIGATIONS/LOSS EXCESS OF POLICY LIMITS

A. This Reinsurance Agreement shall provide reinsurance for the Ultimate Net Loss of the Policies comprising the Subject Business, which includes, subject to the terms and conditions of this Article 0, any Extra Contractual Obligations and/or Loss Excess of Policy Limits.

B. "Extra Contractual Obligations" means all liabilities arising out of or relating to Subject Business not covered under any other provision of this Reinsurance Agreement, including compensatory, consequential, punitive, or exemplary damages together with any legal costs and expenses incurred in connection therewith, paid (without duplication) as damages or in settlement by any Company or any affiliate arising from an allegation or claim of such Company's insured, such Company's insured's assignee, or other third party, which alleges negligence, gross negligence, bad faith or other tortious conduct on the part of such Company or any affiliate, or any designee of such Company (including any TPA) to the extent indemnifiable by the Company or any affiliate of the Company in the handling, adjustment, rejection, defense or settlement of a claim under a Policy.

C. "Loss Excess of Policy Limits" means any costs, expenses or other amounts (other than Allocated Loss Adjustment Expenses) incurred in connection with a Loss paid as damages or in settlement (or otherwise) in excess of the limits of a specific Policy, but otherwise within the coverage terms of such Policy, including as arising from an allegation or claim of a Company's insured, a Company's insured's assignee, or other third party, which alleges negligence, gross negligence, bad faith or other tortious conduct in the handling of a claim under a Policy, in rejecting a settlement within the Policy limits, in discharging a duty to defend or prepare the defense in the trial of an action against the insured, or in discharging its duty to prepare or prosecute an appeal consequent upon such an action. For the avoidance of doubt, the decision by a Company to settle a claim for an amount within the coverage of the Policy but not within the Policy limit when such Company has reasonable basis to believe that it may have liability to the insured or assignee or other third party on the claim will be deemed a Loss Excess of Policy Limits.

D. Any Reserves ceded or assumed or amounts paid or settled by a Party (or a TPA on behalf of such Party) in respect of Extra Contractual Obligations or Loss Excess of Policy Limits without the other Party's prior written approval such approval not to be unreasonably withheld, conditioned or delayed, shall not constitute Ultimate Net Loss or paid Ultimate Net Loss (as applicable), unless the other Party waives in writing the foregoing exclusion with respect to a particular amount or amounts. No such waiver by either Party shall constitute any future waiver of this Section with respect to other amounts.

E. An Extra Contractual Obligation or a Loss Excess of Policy Limits shall be deemed to have occurred on the same date as the Loss covered under the Policy and shall be considered part of the original Loss (subject to other terms of this Reinsurance Agreement).

F. Neither an Extra Contractual Obligation nor a Loss Excess of Policy Limits shall include any Losses, liabilities, penalties, costs or other expenses arising out of any adjudicated fraudulent or criminal act by any officer or director of a Company acting individually or collectively or in collusion with any other organization or party involved in the presentation, defense, or settlement of any claim covered under this Reinsurance Agreement.

G. Neither an Extra Contractual Obligation nor a Loss Excess of Policy Limits shall include any Losses, liabilities, penalties, costs or other expenses arising out of any adjudicated fraudulent or criminal act by any officer or director of the Reinsurer acting individually or collectively or in collusion with any other organization or party involved in the presentation, defense, or settlement of any claim covered under this Reinsurance Agreement, which all such Losses, Liabilities, penalties, costs or other expenses shall be the responsibility of Reinsurer and shall not be considered Ultimate Net Loss.

H. The Companies shall be indemnified in accordance with this Article to the fullest extent permitted by applicable Law.

ARTICLE 20

[RESERVED]

ARTICLE 21

TAX INFORMATION REPORTING AND WITHHOLDING

A. Prior to the Effective Date, the Companies shall provide the Reinsurer with the Companies' IRS Form W-9, and the Reinsurer shall provide the Companies with the Reinsurer's IRS Form W-9. In the event the IRS Form W-9 initially provided may no longer be relied upon, the Reinsurer or Companies, as applicable, shall upon the other Party's reasonable request promptly provide to such other Party an updated form. To the extent the Reinsurer is subject to the deduction and withholding of Premium payable hereunder under applicable Law, including, but not limited to, under the Foreign Account Tax Compliance Act (Sections 1471-1474 of the Internal Revenue Code), the Reinsurer agrees to allow such deduction and withholding from the Premium payable under this Reinsurance Agreement, and the Companies shall have no obligation to gross-up the Reinsurer for any such withheld amounts.

B. In the event of any return of Premium becoming due hereunder, the Companies shall use commercially reasonable efforts to assist the Reinsurer in obtaining any refund permitted by applicable Law. In that event, the Reinsurer agrees to provide the Companies or its agent with all information, assistance and cooperation which the Companies or its agent reasonably requests in or-der to assist the Retrocessionaire in obtaining a refund. The Reinsurer further agrees that it will do nothing to prejudice the Companies' or its agent's position or their potential or actual rights of recovery.

ARTICLE 22

INSOLVENCY

A. In the event of insolvency and the appointment of a conservator, liquidator, receiver, or statutory successor of a Company, any risk or obligation assumed by the Reinsurer shall be payable to the conservator, liquidator, receiver, or statutory successor on the basis of claims allowed against the insolvent Company by any court of competent jurisdiction or by any conservator, liquidator, receiver, or statutory successor of the Company having authority to allow such claims, without diminution because of that insolvency, or because the conservator, liquidator, receiver, or statutory successor has failed to pay all or a portion of any claims.

B. Payments by the Reinsurer as above set forth shall be made directly to the Company or to its conservator, liquidator, receiver, or statutory successor, except where the contract of insurance or reinsurance specifically provides another payee of such reinsurance or except as provided by applicable Law and regulation in the event of the insolvency of the Company.

C. In the event of the insolvency of a Company, the liquidator, receiver, conservator or statutory successor of the Company shall give written notice to the Reinsurer of the pendency of a claim against the insolvent Company on the Policy or Policies reinsured within a reasonable time after such claim is filed in the insolvency proceeding, and, during the pendency of such claim, Reinsurer may investigate such claim and interpose, at its own expense, in the proceeding where such claim is to be adjudicated, any defense or defenses which it may deem available to the Company or its liquidator, receiver, conservator or statutory successor. The expense thus incurred by the Reinsurer shall be chargeable subject to court approval against the insolvent Company as part of the expense of liquidation to the extent of a proportionate share of the benefit which may accrue to the Company solely as a result of the defense undertaken by the Reinsurer.

ARTICLE 23

OFFSET

The Companies and the Reinsurer shall have the right to offset any balance or amounts due from one Party to the other under the terms of this Reinsurance Agreement. In addition, the Reinsurer shall specifically have the right of offset against any balance or amounts due to Reinsurer or the Companies in the event that Collateral Funds in the Statutory Trust Accounts are used or withdrawn in violation of the terms and conditions of the Statutory Trust Agreements or this Reinsurance Agreement. In the event of insolvency of a Party hereto, offset shall be as permitted by applicable law.

ARTICLE 24

PRIVACY & PROTECTION OF DATA

A. The Companies and the Reinsurer represent that they are aware of and in compliance with their responsibilities and obligations under applicable Laws and regulations pertaining to Non-Public Personal Information ("NPPI") and Protected Health Information ("PHI"). For the purpose of this Reinsurance Agreement, NPPI and PHI shall mean (i) financial or health information that identifies an individual, including claimants under Policies reinsured under this Reinsurance Agreement, and which information is not otherwise available to the public, and (ii) any other information which would constitute personal information or personal health information under applicable Laws or regulations relating to the collection, retention, protection and use of such information, including the Gramm-Leach-Bliley Act of 1999, the Health Insurance Portability and Accountability Act of 1996 and the Health Information Technology for Economic and Clinical Health Act, and all amendments to and further regulations thereto (collectively, "Privacy Laws"). Data conveyed to the Reinsurer may include NPPI and/or PHI that is protected under applicable Privacy Laws and shall be used only in the performance of rights, obligations and duties in connection with this Reinsurance Agreement.

B. The Reinsurer shall maintain appropriate safeguards to protect any NPPI and PHI received hereunder from accidental loss or unauthorized access, use or disclosure, which such safeguards shall, at a minimum, comply with all applicable Privacy Laws. The Reinsurer shall immediately report to the Companies any known or reasonably suspected accidental loss or unauthorized access, use or disclosure of any NPPI or PHI held by or on behalf of the Reinsurer hereunder.

C. Without limiting the foregoing, the Reinsurer shall collect and use NPPI and PHI solely as permitted by, and shall not otherwise violate, any applicable privacy policy(ies) of the Companies or with which the Companies must comply which have been provided to the Reinsurer in writing, or which are otherwise known to the Reinsurer.

D. Upon receipt of any request from the Companies for the deletion of any NPPI or PHI, the Reinsurer shall promptly comply with such request and certify such deletion to the Companies. The Reinsurer shall convey to the Companies any request for the deletion of NPPI or PHI received from any purported data subject.

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF DISCLOSED.

ARTICLE 25

SANCTIONS

Neither the Companies nor the Reinsurer shall be liable for premium or Loss under this Reinsurance Agreement if it would result in a violation of any mandatory sanction, prohibition or restriction under United Nations resolutions or the trade or economic sanctions, laws or regulations of the European Union, United Kingdom or United States of America that are applicable to either Party.

ARTICLE 26

SERVICE OF SUIT

A. This Article will not be read to conflict with or override the obligations of the Parties to arbitrate their disputes as provided for in the Article entitled **ARBITRATION**. This Article is intended as an aid to compel required arbitration or enforce an arbitration or arbitral award, not as an alternative to the Article entitled **ARBITRATION** for resolving disputes arising out of this Reinsurance Agreement.

B. In the event of any dispute, the Reinsurer, at the request of the Companies, shall submit to the jurisdiction of a court of competent jurisdiction within the State of Texas. The Reinsurer agrees to comply with all requirements necessary to give such court jurisdiction over the Reinsurer. The Reinsurer further agrees to abide by the final decision of such court or an appellate court to which such court's decision is appealed. Nothing in this Article constitutes or should be understood to constitute a waiver of the Reinsurer's rights to commence an action in any court of competent jurisdiction in the United States, to remove an action to a United States District Court, or to seek a transfer of a case to another court as permitted by the laws of the United States or of any state in the United States.

C. Service of process in any such suit against the Reinsurer may be made upon its duly authorized agent for service of process, Marsh Management Services Cayman Ltd., P.O. Box 1051, Grand Cayman KY1-1102, CAYMAN ISLANDS (the "Reinsurer's Agent for Process"), and in any suit instituted, the Reinsurer shall abide by the final decision of such court or of any appellate court in the event of an appeal.

D. The Reinsurer's Agent for Process is authorized and directed to accept service of process on behalf of the Reinsurer in any such suit.

E. Further, as required by and pursuant to any statute of any state, territory or district of the United States which makes provision therefore, the Reinsurer hereby designates the Superintendent, Commissioner or Director of Insurance or other officer specified for that purpose in the statute, or his successor or successors in office, as its true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Companies arising out of this Reinsurance Agreement, and hereby designates the Reinsurer's Agent for Process as the person to whom the said officer is authorized to mail such process or a true copy thereof.

ARTICLE 27

REGULATORY MATTERS

If Reinsurer or any Company receives notice of, or otherwise becomes aware of any inquiry, investigation, examination, audit, enforcement action or proceeding by any Governmental Authority relating to this Reinsurance Agreement, Reinsurer or such Company, as applicable, shall promptly notify the other Party thereof, whereupon the Parties shall cooperate to resolve such matter.

ARTICLE 28

MISCELLANEOUS

A. Interpretation.

1. As used in this Reinsurance Agreement, references to the following terms have the meanings indicated:

a. to the Preamble or to the Recitals, Sections, Articles, Exhibits or Schedules are to the Preamble or a Recital, Section or Article of, or an Exhibit or Schedule to, this Reinsurance Agreement unless otherwise clearly indicated to the contrary;

b. to any contract or agreement (including this Reinsurance Agreement) are to the contract or agreement as amended, modified, supplemented or replaced from time to time;

c. to any law are to such law as amended, modified, supplemented or replaced from time to time and all rules and regulations promulgated thereunder, and to any section of any law include any successor to such section;

d. to any Governmental Authority include any successor to the Governmental Authority and to any affiliate include any successor to the affiliate;

e. to any "copy" of any contract or agreement or other document or instrument are to a true and complete copy thereof;

f. to "hereof," "herein," "hereunder," "hereby," "herewith" and words of similar import refer to this Reinsurance Agreement as a whole and not to any particular Article, Section or clause of this Reinsurance Agreement, unless otherwise clearly indicated to the contrary;

g. to the "date of this Reinsurance Agreement," "the date hereof" and words of similar import refer to April 1, 2020; and

h. to "this Reinsurance Agreement" includes the Exhibits and Schedules.

2. Whenever the last day for the exercise of any right or the discharge of any duty under this Reinsurance Agreement falls on a day other than a Business Day, the Party having such right or duty shall have until the next Business Day to exercise such right or discharge such duty. Unless otherwise indicated, the word "day" shall be interpreted as a calendar day. With respect to any determination of any period of time, unless otherwise set forth herein, the word "from" means "from and including" and the word "to" means "to but excluding."

3. Whenever the words "include," "includes" or "including" are used in this Reinsurance Agreement, they will be deemed to be followed by the words "without limitation." The word "or" shall not be disjunctive. Any singular term in this Reinsurance Agreement will be deemed to include the plural, and any plural term the singular. All pronouns and variations of pronouns will be deemed to refer to the feminine, masculine or neuter, singular or plural, as the identity of the person referred to may require. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

4. The Parties have participated jointly in the negotiation and drafting of this Reinsurance Agreement; consequently, in the event an ambiguity or question of intent or interpretation arises, this Reinsurance Agreement shall be construed as jointly drafted by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Reinsurance Agreement.

5. No summary of this Reinsurance Agreement prepared by or on behalf of any Party shall affect the meaning or interpretation of this Reinsurance Agreement.

6. All capitalized terms used without definition in the Exhibits and Schedules to this Reinsurance Agreement shall have the meanings ascribed to such terms in this Reinsurance Agreement.

B. Binding Effect; Assignment. This Reinsurance Agreement shall be binding upon and inure to the benefit of the Companies and Reinsurer and their respective successors and permitted assigns. This this Reinsurance Agreement may not be assigned by either Party, by operation of law or otherwise, without the prior written consent of the other Party, which consent may be withheld by either Party in its sole unfettered discretion. Any assignment in violation hereof shall be void. This provision shall not be construed to preclude the assignment by the Companies of reinsurance recoverables to another party for collection.

C. Governing Law. This Reinsurance Agreement shall be governed by and construed according to the laws of the state of Texas, exclusive of that state's rules with respect to conflicts of law.

D. Headings. The table of contents and headings preceding the text of the Articles and Sections of this Reinsurance Agreement are intended and inserted solely for the convenience of reference and shall not affect the meaning, interpretation, construction or effect of this Reinsurance Agreement.

E. Entire Agreement; Amendment. This Reinsurance Agreement and the Transaction Agreements shall constitute the entire agreement between the Parties with respect to the Subject Business hereunder. Any change or modification of this Reinsurance Agreement shall be null and void unless made by written amendment to the Reinsurance Agreement and signed by both Parties. Nothing in this Article shall act to preclude the introduction of reinsurance submission-related documents in any dispute between the Parties. No termination of this Reinsurance Agreement shall be effective unless such is made in writing and signed by the Parties hereto.

F. No Third Party Beneficiaries. Nothing in this Reinsurance Agreement is intended or shall be construed to give any person, other than the Parties hereto, any legal or equitable right, remedy or claim under or in respect of this Reinsurance Agreement or any provision contained herein, other than the Companies and the Reinsurer as provided under the terms of this Reinsurance Agreement, except as expressly provided otherwise under Article entitled **INSOLVENCY**; and except for Retrocessionaire, which shall be a third-party beneficiary able to enforce rights under this Agreement to the extent that failure to enforce such rights (in whole or in part) would adversely affect the Retrocessionaire.

G. Remedies. In the event of any default hereunder beyond the applicable cure period (if any), the non-defaulting Party may proceed to protect and enforce its rights either by suit in equity and/or by action at law, including, but not limited to, an action for damages as a result of any such default. The rights and remedies provided herein shall be cumulative and not exclusive of any rights or remedies provided by law, except as set forth in the Article entitled **ARBITRATION**.

H. Severability. If any provision of this Reinsurance Agreement should be invalid under applicable Laws, the latter shall control but only to the extent of the conflict without affecting the remaining provisions of this Reinsurance Agreement.

I. Waiver. The failure of the Companies or Reinsurer to insist on strict compliance with this Reinsurance Agreement or to exercise any right or remedy shall not constitute a waiver of any rights contained in this Reinsurance Agreement nor estop the parties from thereafter demanding full and complete compliance nor prevent the Parties from exercising any remedy.

J. Force Majeure. Each Party shall be excused for any reasonable failure or delay in performing any of its respective obligations under this Reinsurance Agreement, if such failure or delay is caused by Force Majeure. "Force Majeure" shall mean any act of God, strike, lockout, act of public enemy, any accident, explosion, fire, storm, earthquake, flood, drought, peril of sea, riot, embargo, war or foreign, federal, state or municipal order or directive issued by a court or other authorized official, seizure, requisition or allocation, any failure or delay of transportation, shortage of or inability to obtain supplies, equipment, fuel or labor or any other circumstance or event beyond the reasonable control of the Party relying upon such circumstance or event.

K. Survival. Notwithstanding anything to the contrary herein, all Articles of this Reinsurance Agreement shall survive the termination of this Reinsurance Agreement until all surviving obligations between the Parties have been finally settled.

L. Construction. Whenever the content of this Reinsurance Agreement requires, the gender of all words shall include the masculine, feminine and neuter, and the number of all words shall include the singular and the plural. This Reinsurance Agreement shall be construed without regard to any presumption or other rule requiring construction against the Party causing this Reinsurance Agreement to be drafted.

M. Authority. Each Party has full power and authority to execute and deliver this Reinsurance Agreement and to perform its obligations hereunder. The execution and delivery of this Reinsurance Agreement, and the consummation of the transactions contemplated herein, have been duly and validly approved by all requisite action on the part of each Party, and no other proceedings on the part of either Party, is necessary to approve this Reinsurance Agreement and to consummate the transactions contemplated herein. This Reinsurance Agreement has been duly and validly executed and delivered by each Party, and constitutes the legal, valid and binding obligation of each Party, enforceable against each Party in accordance with its terms, except as enforcement may be limited by general principles of equity, whether applied in a court of law or a court of equity, and by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting or relating to creditors' rights and remedies generally.

N. Notices. All notices and other communications under this Reinsurance Agreement shall be in writing and shall be deemed given (a) when delivered personally by hand, (b) when sent by email (with written confirmation of transmission), (c) three (3) Business Days after being sent by certified mail, or (d) one (1) Business Day following the day sent by an internationally recognized overnight courier, in each case, at the following addresses and email addresses (or to such other address or email address as a party may have specified by notice given to the other party pursuant to this provision):

In the case of Reinsurer:

Marsh Management Services Cayman Ltd.
P.O. Box 1051
Grand Cayman KY1-1102
CAYMAN ISLANDS

With a copy to:

HIIG Services Companies
800 Gessner, Suite 600
Houston, TX 77024
Attn: Legal Department

In the case of the Companies:

Houston Specialty Insurance Companies
Imperium Insurance Companies
Great Midwest Insurance Companies
Legal Department
800 Gessner, Suite 600
Houston, TX 77024

O. Counterparts: Electronic Execution. This Reinsurance Agreement may be executed in one or more counterparts, each of which will be deemed to constitute an original, but all of which shall constitute one and the same agreement, and may be delivered by electronic means intended to preserve the original graphic or pictorial appearance of a document, including portable document format (PDF) scan.

(signatures appear on the following page)

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF DISCLOSED.

IN WITNESS WHEREOF, each of the Parties has caused this Reinsurance Agreement to be executed on its behalf as of April 1, 2020.

HOUSTON SPECIALTY INSURANCE COMPANY

By: _____
Title: President

IMPERIUM INSURANCE COMPANY,

By: _____
Title: President

GREAT MIDWEST INSURANCE COMPANY

By: _____
Title: President

HIIG RE

By: _____
Title:

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF DISCLOSED.

EXHIBIT C

Statutory Trust Agreement Form

STATUTORY TRUST AGREEMENT

BY AND AMONG

R&Q BERMUDA (SAC) LIMITED
ACTING IN RESPECT OF THE HIIG SEGREGATED ACCOUNT

as Retrocessionaire Grantor

HIIG RE

as Reinsurer Grantor

[_____]

as Beneficiary

AND

THE BANK OF NEW YORK MELLON

as Trustee

Dated as of April 1, 2020

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF DISCLOSED.

STATUTORY TRUST AGREEMENT

This is a statutory trust agreement, dated as of April 1, 2020 (hereinafter the "Agreement"), by and among R&Q Bermuda (SAC) Limited, a Bermuda limited company, acting in respect of the HIIG Segregated Account (the "Retrocessionaire Grantor"), HIIG Re, a Cayman Islands company (the "Reinsurer Grantor" and together with the Retrocessionaire Grantor, the "Grantors" and either of them individually, a "Grantor"), [_____], a Texas company ("Beneficiary"), and The Bank of New York Mellon, a New York banking corporation (the "Trustee"). The Grantors, the Beneficiary and the Trustee are hereinafter each sometimes referred to individually as a "Party" and collectively as the "Parties".

WHEREAS, the Beneficiary, [_____] and [_____] (collectively, "the Ceding Companies") and the Reinsurer Grantor have entered into that certain Loss Portfolio Transfer and Adverse Development Reinsurance Agreement by and between Ceding Companies and the Reinsurer Grantor (the "Reinsurance Agreement");

WHEREAS, the Retrocessionaire Grantor and the Reinsurer Grantor have entered into that certain Loss Portfolio Transfer and Adverse Development Retrocession Agreement (the "Retrocession Agreement", together with the Reinsurance Agreement, the "LPT Agreements"), in accordance with which the Retrocessionaire Grantor agrees to provide retrocession coverage for certain, but not all, of Reinsurer Grantor's obligations under the Reinsurance Agreement, which such certain obligations were assumed by the Retrocessionaire Grantor under the Retrocession Agreement (the "Retrocession Liabilities");

WHEREAS, the Reinsurance Agreement and the Retrocession Agreement each provides that the Grantors shall secure their obligations in respect of the Retrocession Liabilities to each of the Ceding Companies by depositing and maintaining certain assets in trust for the benefit of the Ceding Companies, so that the Ceding Companies be permitted to take full credit for reinsurance with respect to such Retrocession Liabilities.

NOW, THEREFORE, for and in consideration of the premises and for other good and valuable consideration, the receipt of which is hereby acknowledged, and intending to be legally bound hereby, the Parties hereby agree as follows:

TERMS AND CONDITIONS

Section 1. Deposit of Assets to the Trust Account.

(a) The Grantors shall establish and maintain with the Trustee a trust account for the

sole benefit of Beneficiary (which in its totality shall be hereinafter referred to, including all successor accounts thereto, as the "Trust Account"). The Grantors shall transfer to the Trustee, for deposit to the Trust Account, cash and other Assets. The initial deposit of Assets into the Trust Account shall be made in accordance with the terms of the Retrocession Agreement by the Reinsurer Grantor, in cash in the amount of Beneficiary's proportionate share of the Net Premium. Trustee shall receive such Assets and hold all Assets in a safe place. Additional Assets may subsequently be deposited to, and Assets may be withdrawn from, the Trust Account only in accordance with the provisions of this Agreement. For the avoidance of doubt, Reinsurer Grantor has no obligation to make additional deposits to the Trust Account, on behalf of the Retrocession Grantor or otherwise.

(b) The Trustee shall administer the Trust Account as Trustee and fiduciary for the sole benefit of Beneficiary. The Trust Account shall be subject to withdrawal solely by Beneficiary as provided herein. All Assets in the Trust Account will be held by the Trustee at the Trustee's Office in the United States of America ("United States").

(c) A Grantor that transfers Assets into the Trust Account hereby represents and warrants with respect to such Assets that (i) all such cash and/or other Assets referred to in Section 1(a) transferred to the Trustee for deposit to the Trust Account shall consist only of United States Dollars ("cash") and Eligible Securities, (ii) that any such Assets transferred by the Grantor to the Trustee for deposit to the Trust Account will be in such form that Beneficiary, and the Trustee upon direction by Beneficiary, may negotiate any such Assets without consent or signature from the Grantors or any person in accordance with the terms of this Agreement and (iii) such cash and other Assets transferred for deposit to the Trust Account shall be free and clear of all liens, claims and encumbrances. A Grantor, prior to depositing Assets with the Trustee, shall execute assignments, endorsements in blank, or transfer legal title to the trustee of all shares, obligations, or any other assets requiring assignments, in order that Beneficiary, or the Trustee upon the direction of Beneficiary may, whenever necessary, negotiate any such Assets without consent or signature from the Grantors or any other entity.

(d) Reinsurer Grantor further represents and warrants that the initial deposit in the amount of the Net Premium transferred to the Trustee for deposit to the Trust Account shall consist only of cash and such cash transferred for deposit to the Trust Account shall be free and clear of all liens, claims and encumbrances

(e) The Trustee shall have no responsibility to determine whether the total value of cash proceeds and Eligible Securities referred to in Section 1(c) together with Eligible Securities in which cash in the Trust Account is invested or which are substituted for other Eligible Securities pursuant to Section 3(b) (such cash and Eligible Securities, as hereinafter defined, are in this Agreement referred to collectively as the "Assets" and individually as an "Asset") in the Trust Account are sufficient to secure the Retrocession Liabilities.

Section 2. Withdrawal of Assets from the Account.

(a) Without notice or consent of the Grantors, Beneficiary shall have the right to withdraw from the Trust Account, at any time and from time to time, upon Beneficiary giving written notice (the "Withdrawal Notice") to the Trustee, such Assets as are specified in such Withdrawal Notice. Beneficiary need present no statement or document in addition to a Withdrawal Notice in order to withdraw any Assets, nor is said right of withdrawal or any other provision of this Agreement subject to any conditions or qualifications outside of this Agreement.

(b) Upon receipt of a Withdrawal Notice, the Trustee shall immediately take any and all steps necessary to transfer absolutely and unequivocally all right, title, and interest and physical custody in the Assets specified in such Withdrawal Notice and shall deliver such assets to Beneficiary as specified in such Withdrawal Notice given by Beneficiary.

(c) Subject to paragraph (a) of this Section 2 and to Section 3 of this Agreement, in the absence of a Withdrawal Notice, the Trustee shall allow no substitution or withdrawal of any Asset from the Trust Account.

(d) Notwithstanding anything to the contrary set forth in this Section 2, Beneficiary shall utilize and apply any such withdrawals, without diminution because of the insolvency of Beneficiary or the Grantors, for the following purposes only (the "Permitted Purposes"):

(a) to pay, or to reimburse Beneficiary for the due but unpaid or unreimbursed Retrocession Liabilities;

(b) to transfer to the Retrocessionaire Grantor any Assets that are in excess of the Required Collateral Amount;

(c) where Beneficiary has received notification of termination of this Agreement and where any of the Grantors' Retrocession Liabilities remain unliquidated and undischarged ten (10) days prior to the termination date, to withdraw assets in the Trust Account equal to such obligations and deposit such assets in a separate account apart from its other assets, in the name of Beneficiary, in any United States bank or trust company apart from Beneficiary's general assets in trust solely for the uses and purposes specified in this section that remain executory after the withdrawal and for any period after such termination date.

A Collateral Offset (as defined in the Retrocession Agreement) completed in accordance with the provisions of the Retrocession Agreement shall not be considered a transfer in violation of the Permitted Purposes set forth above.

(e) Beneficiary shall return to the Trust Account, within five (5) Business Days, assets withdrawn in excess of all amounts due under Sections 2(d)(i) and 2(d)(iii), and, to the extent not yet actually paid to the Retrocessionaire Grantor, Section 2(d)(ii). Any such excess amounts shall at all times be held by Beneficiary (or any successor by operation of law thereof, including any liquidator, rehabilitator, receiver or conservator thereof) in trust for the benefit of the Retrocessionaire Grantor for the sole purpose of funding the payments and reimbursements described in Section 2(d). Assets that are subsequently determined not to be due shall be returned to the Trust Account with interest charged thereon at Two Percent (2%) per annum, calculated on an annual basis.

(f) The Trustee shall have no responsibility whatsoever to determine how any Assets withdrawn from the Trust Account pursuant to this Section 2 will be used and applied by Beneficiary. Furthermore, the Trustee shall have no responsibility whatsoever to determine whether the Beneficiary shall return, or shall have returned, any excess amounts and whether any interest is owed under Section 2(e).

(g) Beneficiary shall not, and shall not permit any party (including any third party claims administrator administering claims in connection with the Retrocession Liabilities) to use and apply Assets for any purpose other than the Permitted Purposes.

(h) If, based on the Quarterly Funding Report beginning with the calendar quarter ended June 30, 2020, the Required Collateral Amount at the end of any calendar quarter (i) is less than the Fair Market Value of the Assets held in the Trust Account (determined in accordance with Section 6(f) hereof), Beneficiary shall promptly, but not less than five (5) Business Days after delivery of the Quarterly Funding Report to the Grantors, direct the Trustee to transfer directly from the Trust Account to the account of the Retrocessionaire Grantor or its designee such Assets with a Fair Market Value in excess of the Required Collateral Amount, or (ii) exceeds the Fair Market Value of the Assets held in the Trust Account (determined in accordance with Section 6(f) hereof), the Retrocessionaire Grantor shall promptly, but not less than five (5) Business Days after delivery of the Quarterly Funding Report, transfer to the Trust Account such additional Assets as may be necessary to increase the Fair Market Value of the Assets held in the Trust Account to the Required Collateral Amount.

(i) Any other term in this Agreement notwithstanding, no statement or document, other than the written notice from Beneficiary to the Trustee, will be accepted to withdraw Assets. Beneficiary shall, upon written request of the Trustee, acknowledge in writing to the Trustee, Beneficiary's receipt of the withdrawn Assets.

Section 3. Redemption, Investment and Substitution of Assets.

(a) The Trustee shall surrender for payment all maturing Assets and all Assets called for redemption and deposit the principal amount of the proceeds of any such payment to the Trust Account.

(b) The Trustee shall allow no substitutions or withdrawals of Assets from the Trust Account, except on written instructions from Beneficiary, or the Trustee may, without the consent of but with written notice to Beneficiary, on call or maturity of any Asset, withdraw such Asset on condition that the proceeds are paid or deposited into the Trust Account.

(c) The Trustee shall invest and reinvest the cash held in the Trust Account as directed by the Retrocessionaire Grantor in writing from time to time. The Trustee shall have no responsibility whatsoever to determine that any Assets in the Trust Account are or continue to be in compliance with the provision of Texas Insurance Law.

(d) Any loss incurred from any investment pursuant to the terms of this Section 3 shall be borne exclusively by the Trust Account. Subject to other terms of this Agreement, the Trustee shall have no liability for any loss sustained as a result of any investment made pursuant to the terms of this Agreement or as a result of any liquidation of any investment prior to its maturity or for the failure of the Retrocessionaire Grantor to give the Trustee instructions to invest or reinvest the Trust Account. The Retrocessionaire Grantor shall make additional deposits pursuant to Section 1 in the event such loss is incurred.

(e) The Trustee shall keep full and complete records of the administration of the Trust Account.

(f) When the Trustee is directed by Beneficiary to deliver Assets against payment, delivery will be made in accordance with generally accepted market practice, not inconsistent with terms of this Agreement.

(g) The Trustee shall execute investment directions and settle securities transactions by itself or by means of an agent or broker. The Trustee shall not be responsible for any act or omission, or for the solvency, of any such agent or broker. For the purposes of Section 3 the Trustee shall not be liable for valuing the assets according to their Fair Market Value.

Section 4. Interest and Dividends.

All payments of interest, dividends and other income in respect to the Assets in the Trust Account shall be posted and credited by the Trustee, subject to deduction of the Trustee's compensation and expenses as provided in Section 7 of this Agreement, in the separate income column of the custody ledger (the "Income Account") within the Trust Account, which Trust Account is established and maintained by the Retrocessionaire Grantor at an office of the Trustee in New York City. Any interest, dividend or other income automatically posted and credited on the payment date to the Income Account which is not subsequently received by the Trustee shall be reimbursed by the Retrocessionaire Grantor to the Trustee and the Trustee may debit the Income Account for this purpose. Every quarter, after deduction of the Trustee's compensation and expenses as provided in Section 7 of this Agreement, the interest, dividends and other income set forth in the Income Account shall be swept into the Trust Account.

Section 5. Right to Vote Assets.

The Trustee shall forward all annual and interim stockholder reports and all proxies and proxy materials relating to the Assets in the Trust Account to the Retrocesionaire Grantor. The Retrocessionaire Grantor shall have the full and unqualified right to exercise any voting rights associated with the Assets in the Trust Account. The Trustee shall notify the Retrocessionaire Grantor of rights or discretionary actions with respect to Eligible Securities as promptly as practicable under the circumstances, provided that the Trustee has actually received notice of such right or discretionary corporate action from the relevant depository. Subject to other terms of this Agreement, absent actual receipt of such reports and materials, the Trustee shall have no liability for failing to so forward the same to the any Grantor. The Trustee shall not be liable for failure to take any action relating to or to exercise any rights conferred by such Eligible Securities.

Section 6. Additional Rights and Duties of the Trustee.

(a) The Trustee shall notify the Grantors and Beneficiary in writing within ten (10) days following each deposit to, or withdrawal from, the Trust Account. Any notification or statement required to be given by the Trustee under this Agreement shall be deemed so given upon notice by e-mail to the Grantors and Beneficiary that such notification or statement is available to the Grantors and the Beneficiary through the Trustee's online reporting tool, but only if the Grantors and Beneficiary are granted reasonable access to the Trustee's online reporting tool at the time of such notice and such notification or statement through the Trustee's online reporting tool is actually available to the Grantors and Beneficiary for at least a reasonable time thereafter. However, providing such access shall not relieve the Trustee of its notice obligations under this Section 6(a). The term notification as used in this paragraph does not include any notice or notification required to be given or referred in Section 10, Termination of the Trust Account.

(b) Before accepting any Asset for deposit to the Trust Account, the Trustee shall determine that such Asset is in such form that Beneficiary, or the Trustee upon direction by the Beneficiary, may, whenever necessary negotiate such Asset without consent or signature from the Grantors or any other person.

(c) The Trustee shall have no responsibility whatsoever to determine that any Assets in the Trust Account are or continue to be Eligible Securities.

(d) The Trustee may record any Assets in the Trust Account in a book entry form maintained at the Federal Reserve Bank of New York or in depositories such as the Depository Trust Company so long as the Trustee's records clearly indicate that the assets held are a part of the Trust Account. Subject to other terms of this Agreement, the Trustee shall have no liability whatsoever for the action or inaction of any such depository or for any losses resulting from the maintenance of Assets with any such depository.

(e) The Trustee shall accept and open all mail directed to the Grantors or Beneficiary in care of the Trustee.

(f) The Trustee shall furnish to the Grantors and Beneficiary a statement of all Assets in the Trust Account at inception of the Trust Account and at the end of each calendar month. Such report shall, in reasonable detail, show: (i) all deposits, withdrawals and substitutions during such month; (ii) a listing of securities held and cash and cash equivalent balances in the Trust Account as of the last day of such month; and (iii) the Fair Market Value of each Asset held in the Trust Account (other than cash) and the amount of cash held as of the last day of such month. The Trustee shall utilize the services of nationally recognized industry providers in order to determine the Fair Market Value of any Assets in the Trust Account at inception and thereafter on a monthly basis, and the Grantors and Beneficiary shall accept such values; provided that such values are to be stated in United States dollars. Where the vendors do not provide information for particular Assets, an Authorized Person of the Retrocessionaire Grantor, or the Retrocesionaire Grantor's designated investment advisor, if any, may advise the Trustee regarding the Fair Market Value of, or provide other information with respect to, such Assets as determined by it in good faith. The Trustee shall not be liable for any loss, damage or expense incurred as a result of errors or omissions with respect to any pricing or any other information used by the Trustee hereunder.

(g) Upon the request of the Grantors or Beneficiary, the Trustee shall promptly permit the Grantors or Beneficiary, their respective agents, employees or independent auditors to examine, audit, excerpt, transcribe and copy, during the Trustee's normal business hours, any books, documents, papers and records relating to the Trust Account or the Assets.

(h) Unless otherwise provided in this Agreement, the Trustee is authorized to follow and rely upon all instructions given by officers named in incumbency certificates furnished to the Trustee from time to time by the Grantors and Beneficiary, respectively, and by attorneys-in-fact acting under written authority furnished to the Trustee by the Grantors or Beneficiary, including, without limitation, instructions given by letter, facsimile transmission, or electronic mail, if the Trustee reasonably believes such instructions to be genuine and to have been signed, sent or presented by the proper Party or Parties. The Trustee shall not incur any liability to anyone resulting from actions taken by the Trustee in reliance in good faith on such instructions. The Trustee shall not incur any liability in executing instructions (i) from an attorney-in-fact prior to receipt by it of notice of the revocation of the written authority of the attorney-in-fact or (ii) from any officer of the Grantors or Beneficiary named in an incumbency certificate delivered hereunder, if such instructions are executed prior to receipt by it of a more current certificate. Each Grantor and Beneficiary acknowledges and agrees that it is fully informed of the protections and risks associated with the various methods of transmitting instructions to the Trustee, and that there may be more secure methods of transmitting instructions than the method selected by the sender. Each Grantor and Beneficiary agrees that the security procedures, if any, to be followed in connection with a transmission of instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances. Other provisions and terms of this Agreement notwithstanding, the Trustee shall be liable to the Beneficiary and the Grantors for the Trustee's negligence, willful misconduct, or lack of good faith or breach of fiduciary duty.

(i) The duties and obligations of the Trustee shall only be such as are specifically set forth in this Agreement, as it may from time to time be amended, and no implied duties or obligations shall be read into this Agreement against the Trustee. The Trustee shall only be liable for its own negligence, willful misconduct, or lack of good faith or breach of fiduciary duty. In the performance of its duties under this Agreement, the Trustee may act directly or through its agents and Affiliates, and the Trustee shall be deemed to have discharged its duties and responsibilities under this Agreement to the extent that an agent or an Affiliate of the Trustee has agreed to perform, and does perform, any act to discharge, and does discharge, any duty of the Trustee hereunder, and the Trustee shall not be held liable for the default or failure of the such agent of Affiliate provided that the Trustee shall have exercised due care in selection of such agent or Affiliate, and due care in the supervision of any such agent which is also an Affiliate of the Trustee, in each case in good faith and absent negligence, or willful misconduct or breach of fiduciary duty on the part of the Trustee. For the avoidance of doubt, the Trustee's fiduciary duty under this Agreement shall mean the safekeeping and administration of the Trust Account as explicitly specified in this Agreement. It is agreed that the standard of care and the benefits, protections and rights (including indemnities) applied to or provided to the Trustee under this Trust Agreement shall be applied to and shall be available to the Affiliates of the Trustee in respect of any execution or performance by such Affiliates hereunder.

(j) No provision of this Agreement shall require the Trustee to take any action which, in the Trustee's reasonable judgment, would result in any violation of law.

(k) The Trustee may confer with counsel of its own choice in relation to matters arising under this Agreement and shall have full and complete authorization from the other Parties hereunder and shall be fully protected with respect to any action taken or suffered by it under this Agreement or under any transaction contemplated hereby in good faith and in accordance with opinion of such counsel.

(1) The Trust Account shall be (i) in the possession of the Trustee at its offices in New York (ii) kept separate and apart on the books and records of the Trustee from any assets of the Trustee and any other securities held by the Trustee for whomever and for whatsoever purpose, (iii) clearly identifiable as Assets subject to this Agreement at all times while in the possession of the Trustee. The title and account number of the Trust Account are identified on Schedule 3 attached hereto.

(m) Anything in this Agreement to the contrary notwithstanding, in no event shall the Trustee be liable under or in connection with this Agreement for indirect, special, incidental, punitive or consequential losses or damages of any kind whatsoever, including but not limited to lost profits, whether or not foreseeable, even if the Trustee, has been advised of the possibility thereof and regardless of the form of action in which such damages are sought.

(n) The Trustee shall not be responsible for the existence, genuineness or value of any of the Assets or for the validity, perfection, priority or enforceability of the liens in any of the Assets, whether impaired by operation of law or by reason of any action or omission to act on its part hereunder, except to the extent such action or omission constitutes negligence, lack of good faith, or willful misconduct or breach of fiduciary duty, for the validity of title to the Assets, for insuring the Assets or for the payment of taxes, charges, assessments or liens upon the Assets.

(o) The Trustee shall not be required to risk or expend its own funds in performing its obligations under this Agreement.

(d) The Trustee shall respond to any and all reasonable requests from the Grantors or Beneficiary, and the Trustee shall promptly supply the information requested as concerning the Trust Account or the Assets held therein.

Section 7. The Trustee's Compensation, Expenses and Indemnification.

(a) The Retrocessionaire Grantor shall pay the Trustee, as compensation for its services under this Agreement, a fee computed at rates determined by the Trustee from time to time and communicated in writing to the Retrocessionaire Grantor. The Retrocessionaire Grantor shall pay or reimburse the Trustee for all of the Trustee's out-of-pocket expenses and disbursements in connection with its duties under this Agreement (including attorney's fees and expenses), except any such expense, or disbursement as may arise from the Trustee's negligence, willful misconduct, or lack of good faith or breach of fiduciary duty. The Trustee shall be entitled to deduct its compensation and expenses from payments of dividends into the Income Account as provided in Section 4 of this Agreement. This Agreement prohibits invasion of the trust corpus for the purpose of paying compensation to, or reimbursing the expenses of, the Trustee. The Grantors and Beneficiary severally and not jointly hereby indemnify the Trustee for, and holds it harmless against, any loss, liability, costs or expenses (including attorney's fees and expenses and the costs of successfully defending itself against a claim of negligence or willful misconduct on its part made by another party hereto) incurred or made without negligence, willful misconduct or lack of good faith on the part of the Trustee, or breach of fiduciary duty, arising out of or in connection with the performance of its obligations in accordance with the provisions of this Agreement, including any loss, liability, costs or expenses arising out of or in connection with the status of the Trustee. The Grantors and Beneficiary hereby acknowledge that the foregoing indemnities shall survive the resignation or discharge of the Trustee or the termination of this Agreement.

(b) No Assets shall be withdrawn from the Trust Account or used in any manner for paying compensation to, or reimbursement or indemnification of, the Trustee. This provision is not intended to limit or affect the Trustee's entitlement to deduct from the Income Account.

Section 8. TINs.

The Grantors and Beneficiary each represents that its respective correct Taxpayer Identification Number ("TIN") assigned by the Internal Revenue Service or any other taxing authority is set forth in Schedule 1 hereto. Upon execution of this Agreement, the Grantors shall each provide the Trustee with a fully executed W-8 or W-9 Internal Revenue Service Form, which shall include the applicable Grantor's Tax Identification Number (TIN), as assigned by the Internal Revenue Service. All interest or other income earned under this Agreement shall be deposited pursuant to the terms of this Agreement and reported by the Retrocessionaire Grantor to the Internal Revenue Service or any other taxing authority. Notwithstanding such written directions, Trustee shall report and, as required, withhold any taxes as it determines may be required by any law or regulation in effect at the time of the distribution. In the event that any such earnings remain undeposited at the end of any calendar year, Trustee shall report such income to the Internal Revenue Service or such other authority such earnings as it deems appropriate or as required by any applicable law or regulation. In addition, Trustee shall hold any taxes if required by law to do so and shall remit such taxes to the appropriate authorities.

Section 9. Grantor Trust for U.S. Federal Income Tax Purposes.

The Trust shall be treated as a grantor trust (pursuant to sections 671 through 677 of the Code) for U.S. federal income tax purposes. The Retrocessionaire Grantor shall constitute the grantor (within the meaning of sections 671 and 677(a) of the Code) and, thus, any and all income derived from the Assets shall constitute income or gain of the Retrocessionaire Grantor only as the owner of such Assets. The Retrocessionaire Grantor shall file any federal, state or local tax returns to the extent required by applicable Law.

Section 10. Resignation of the Trustee.

(a) The Trustee may resign at any time by giving not less than ninety (90) days written notice thereof to the Beneficiary and to the Grantors, such resignation to become effective on the acceptance of appointment by a successor trustee and the transfer to such successor trustee of all Assets in the Trust Account in accordance with paragraph (b) of this Section 9.

(b) Upon receipt of the Trustee's notice of resignation, the Grantors and Beneficiary shall appoint a successor trustee. Any successor trustee shall be a bank that is a member of the Federal Reserve System and shall not be a parent, a subsidiary or an affiliate of the Grantors or Beneficiary. Upon the acceptance of the appointment as trustee hereunder by a successor trustee, payment of all fees due the Trustee and the transfer to such successor trustee of all Assets in the Trust Account, the resignation of the Trustee shall become effective. Thereupon, such successor trustee shall succeed to and become vested with the rights, powers, privileges and duties of the Trustee, and the Trustee shall be discharged from any future duties and obligations under this Agreement, but the Trustee shall continue after its resignation to be entitled to the benefits of the indemnities provided herein for the Trustee.

Section 11. Termination of the Trust Account.

(a) The Trust Account and this Agreement, except for the indemnities provided herein, may be terminated only after (i) Beneficiary has given the Trustee written notice of its intention to terminate the Trust Account (the "Notice of Intention"), and (ii) the Trustee has given the Grantors and the Beneficiary the written notice specified in paragraph (b) of this Section 10. The Notice of Intention shall specify the date on which Beneficiary or the Trustee, as applicable, intends the Trust Account to terminate (the "Proposed Date").

(b) Within ten (10) Business Days following receipt by the Trustee of the Notice of Intention, the Trustee shall give written notification (the "Termination Notice") to the Beneficiary and the Grantors of the date (the "Termination Date") on which the Trust Account shall terminate. The Termination Date shall be (a) the Proposed Date (or if not a Business Day, the next Business Day thereafter), if the Proposed Date is at least thirty (30) days but no more than 45 days subsequent to the date the Termination Notice is given; (b) thirty (30) days subsequent to the date the Termination Notice is given (or if not a Business Day, the next Business Day thereafter), if the Proposed Date is fewer than thirty (30) days subsequent to the date the Termination Notice is given; or (c) forty five (45) days subsequent to the date the Termination Notice is given (or if not a Business Day, the next Business Day thereafter), if the Proposed Date is more than forty five (45) days subsequent to the date the Termination Notice is given. Further, the Trustee shall at least thirty (30) days prior to Termination Date deliver written notification of termination, including the termination date, via certified mail, to the Beneficiary.

(c) On the Termination Date, upon receipt of written approval of the Beneficiary, the Trustee shall transfer any Assets remaining in the Trust Account to the Retrocessionaire Grantor as directed by such instructions, at which time all liability of the Trustee with respect to such Assets shall cease.

(d) At least thirty (30) days prior to the Termination Date, written notification of termination of the Trust Account shall be delivered by the Trustee via certified mail to Beneficiary and to the Texas Department of Insurance. Notice to the Texas Department of Insurance shall be addressed and sent to the attention of the Financial Regulation Division, PO Box 149104, Austin, TX 78714-9104 or such other address. Beneficiary shall provide the Trustee with updates to such address and addressee information as from time to time may be necessary to keep that information current. In providing the Notices required by this paragraph, the Trustee may rely upon this information and in doing so shall be protected, held harmless and deemed to have exercised all reasonable due care.

Section 12. Definitions.

Except as the context shall otherwise require, the following terms shall have the following meanings for all purposes of this Agreement (the definitions are applicable to both the singular and the plural forms).

The term "Affiliate" with respect to any legal entity shall mean a person or legal entity which directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such legal entity. The term "control" (including the related terms "controlled by" and "under common control with") shall mean the ownership, directly or indirectly, of more than ten percent (10%) of the voting stock of a legal entity.

The term "Beneficiary" shall include any successor of the Beneficiary by operation of law including, without limitation, any liquidator, rehabilitator, receiver or conservator.

The term "Business Day" shall mean any day other than a Saturday, Sunday or any other day on which the Trustee located at the notice address set forth in Section 17 is authorized or required by law or executive order to remain closed.

The term "Eligible Securities" shall mean those securities which consist solely of

(1) a certificate of deposit payable in United States dollars and issued by a bank organized under the laws of the United States or any state thereof; or

(2) an investment of a type permitted by the Texas Insurance Code, Section 493.104, provided that such investment must also be issued by an institution which is not the parent, subsidiary or Affiliate of the Beneficiary or the Grantors. The Beneficiary and the Grantors agree the Eligible Securities shall not include any Assets held or principally traded outside the United States.

"Eligible Securities" do not include mortgages, collateralized debt obligations, collateralized loan obligations, real estate or derivatives. Additionally, to be part of Eligible Securities, an investment must be interest bearing, interest, accruing with a specific maturity date on which redemption is to be made at stated value, and not in default and shall otherwise qualify under Texas Insurance Law.

The term "Fair Market Value" shall mean in respect of any given valuation date, (i) in the case of securities listed on an exchange or in an over-the counter market, the closing price on such exchange or market (or the average of the closing bid and asked prices if there is no closing price) plus all accrued but unpaid interest on such securities through the last Business Day preceding the valuation date if such amount is not already reflected in such closing price (or such bid and asked prices), and (ii) in the case of cash, the face amount thereof. Trustee may, as an accommodation, provide pricing or other information services to Grantor and/ or Beneficiary in connection with this Agreement. The Trustee is authorized to utilize any nationally recognized vendor whose business regularly involves providing pricing information including the valuation of thinly traded or illiquid securities reasonably believed by the Trustee to be reliable to provide such information. Under no circumstances shall the Trustee be liable for any loss, damage, or expense suffered or incurred by Grantor or Beneficiary as a result of errors or omissions with respect to any pricing or other information utilized by Trustee hereunder.

The term "Net Premium" shall mean an amount equal to Premium *less* Brokerage *less* FET assessed on Premium (each of the foregoing, as defined in the Retrocession Agreement).

The term "Parent" shall mean an institution controlled, directly or indirectly, by another institution.

The term "Person" shall mean and include an individual, a corporation, a partnership, an association, a trust, an unincorporated organization or a government or political subdivision thereof.

The term "Quarterly Funding Report" shall have the meaning set forth in the Retrocession Agreement.

The term "Required Collateral Amount" shall have the meaning set forth in the Retrocession Agreement.

The term "Ultimate Net Loss" shall have the meaning set forth in the Retrocession Agreement.

Section 13. Governing Law.

This Agreement shall be subject to and governed by the laws of the State of New York. Each Party hereto irrevocably waives any objection on the grounds of venue, forum non conveniens or any similar grounds and irrevocably consents to the service of process by mail or in any other manner permitted by applicable laws and consents to the jurisdiction of the federal courts of the United States located in the Southern District of the State of New York or, if such courts do not have jurisdiction, the state courts of the State of New York sitting in the Borough of Manhattan. Each Party hereby waives any right to a trial by jury with respect to any lawsuit or judicial proceeding arising or relating to this Agreement.

Section 14. Successors and Assigns.

No Party may assign this Agreement or any of its obligations hereunder, without the prior written consent of the other Parties; provided, however, that this Agreement shall inure to the benefit of and bind those who, by operation of law, become successors to the Parties, including, without limitation, any liquidator, rehabilitator, receiver or conservator and any successor merged or consolidated entity and provided further that, in the case of the Trustee, the successor trustee is eligible to be a trustee under the terms hereof and in the case of Grantors and Beneficiary, the parties have provided the Trustee with prior written notice of such assignment and subject to the Bank's satisfactory completion of CIP on the successor. Any corporation or association into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation or association to which all or substantially all the Insurance Trust business of the Trustee's corporate trust line of business may be transferred, shall be the Trustee under this Agreement without further act.

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF DISCLOSED.

Section 15 Severability.

In the event that any provision of the Agreement shall be declared invalid or unenforceable by any regulatory body or court having jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining portions of this Agreement.

Section 16. Entire Agreement.

This Agreement constitutes the entire agreement among the Parties with respect to the subject matter hereof, and there are no understandings or agreements, conditions or qualifications relative to this Agreement which are not fully expressed in this Agreement.

Section 17. Amendments.

This Agreement may be modified or otherwise amended, and the observance of any term of this Agreement may be waived, but only to the extent that such modification, amendment or waiver is in writing and signed by all of the Parties.

Section 18. Notices.

(a) All communications hereunder shall be in writing and shall be deemed to be duly given and received:

(i) upon delivery if delivered personally, electronic media or upon confirmed transmittal if by facsimile (Fax);

(ii) on the next Business Day if sent by overnight courier; or

(iii) four (4) Business Days after mailing if mailed by prepaid register mail, return receipt requested, to the appropriate notice address set forth below this Section 17 or at such other address as any Party hereto may have furnished to the other parties in writing by registered mail, return receipt requested.

If to the Retrocession Grantor:

R&Q Bermuda (SAC) Limited
Randall & Quilter Investment Holdings Ltd.
F B Perry Building, 40 Church Street
Hamilton HM11, Bermuda
Attention: Paul Corver
Email: [***]

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF DISCLOSED.

With a copy to:

R&Q Solutions, LLC
Two Logan Square
Suite 600
Philadelphia, PA 19103
Attention: Christopher Reichow, U.S. General Counsel
Email: [***]

If to the Reinsurer Grantor:

HIIG Re
c/o Marsh Management Services Cayman Ltd.
P.O. Box 1051
Grand Cayman KY1-1102
CAYMAN ISLANDS
Email:

With a copy to

HIIG Re
Legal Department
800 Gessner, Suite 600
Houston, TX 77024
Email: [***]

If to the Beneficiary:

[_____]
[_____]
[_____]
[_____]
Email: [_____]

If to the Trustee:

The Bank of New York Mellon
Insurance Trust and Escrow
240 Greenwich Street,
New York, NY 10286 USA
Attention:
Fax

(b) Notwithstanding the above, in the case of communications delivered to the Trustee pursuant to (ii) and (iii) of this Section 17, such communications shall be deemed to have been given on the date received by the Trustee. Each Party may from time to time designate a different address for notices, directions, requests, demands, acknowledgments and other communications by giving written notice of such change to the other Parties. All notices, directions, requests, demands, acknowledgments and other communications relating to the Beneficiary's approval of the Retrocessionaire Grantor's authorization to substitute Trust Assets and to the termination of the Trust Account shall be in writing and may be made or given by facsimile or electronic media.

Section 19. Funds Transfer Procedures.

In the event funds transfer instructions are given in writing by Beneficiary, via facsimile or otherwise, pursuant to other terms of this Agreement, the Trustee is authorized to seek confirmation of such instructions from Beneficiary by telephone call-back to the person or persons designated in Schedule 2 hereto ("Schedule 2"), and the Trustee may rely upon the confirmation of anyone purporting to be the person or persons so designated. The persons and telephone numbers for call-backs may be changed only in a writing actually received and acknowledged by the Trustee. If the Trustee is unable to contact any of the authorized representatives identified in Schedule 2, the Trustee is hereby authorized to seek confirmation of such instructions by telephone call-back to any one or more of the executive officers of Beneficiary ("Executive Officers") as the Trustee may select. Such Executive Officer shall deliver to the Trustee a fully executed Incumbency Certificate, and the Trustee may rely upon the confirmation of anyone purporting to be any such officer. The Trustee and the Beneficiary's bank in any funds transfer may rely solely upon any account numbers or similar identifying numbers provided by Beneficiary to identify (i) the Beneficiary, (ii) the Beneficiary's bank, or (iii) an intermediary bank. The Trustee may choose to apply any of the Assets in the Trust Account for any payment order it executes using any such identifying number. The parties to this Agreement acknowledge that these security procedures are commercially reasonable. Payment or otherwise to act on any instruction by Beneficiary's Executive Officer will be made by the Trustee within three (3) Business Days after the Trustee's verification of instructions as set forth above, unless a shorter time frame is required by this Agreement or applicable Texas law. The Beneficiary shall notify the Trustee if a shorter time frame is required by this Agreement or under Texas law.

Notwithstanding any revocation, cancellation or amendment of a written funds transfer authorization pursuant to this Agreement, any action taken by the Trustee pursuant to such authorization prior to the Trustee's receipt of a notice of revocation, cancellation or amendment, pursuant to this Agreement, shall not be affected by such notice.

Section 20. Force Majeure.

In the event that any Party to this Agreement is unable to perform its obligations under the terms of this Agreement because of acts of God, strikes, equipment or transmission failure or damage reasonably beyond its control, or other cause reasonably beyond its control, such Party shall not be liable for damages to the other Parties resulting from such failure to perform or otherwise from such causes. Performance under this Agreement shall resume when the affected Party is able to perform substantially that Party's duties.

Section 21. USA Patriot Act.

The Grantors and Beneficiary hereby acknowledge that the Trustee is subject to federal laws, including the Customer Identification Program ("CIP") requirements under the USA PATRIOT Act and its implementing regulations, pursuant to which the Trustee must obtain, verify and record information that allows the Trustee to identify the Grantors and Beneficiary. Accordingly, prior to opening the Trust Account hereunder, the Trustee will ask the Grantors and Beneficiary to provide certain information including, but not limited to, the Grantors' and Beneficiary's name, physical address, tax identification number and other information that will help the Trustee to identify and verify the Grantors' and Beneficiary's identity such as organizational documents, certificate of good standing, license to do business, or other pertinent identifying information. Each of the Grantors and Beneficiary agrees that the Trustee cannot open the Trust Account hereunder unless and until the Trustee verifies the Grantors' and Beneficiary's identity in accordance with the Trustee's CIP.

Section 22. Required Disclosure.

The Trustee is authorized to supply any information regarding the Trust Account and related Assets that is required by any law, regulation or rule now or hereafter in effect. Grantors and Beneficiary agree to supply the Trustee with any required information if it is not otherwise reasonably available to the Trustee.

Section 23. Trustee's Representations, Warranties and Covenants.

Trustee represents, warrants and covenants to the Grantors and the Beneficiary that:

(a) Trustee is a bank that is either a member of the Federal Reserve System, or a New York State-chartered bank or trust company.

(b) Trustee shall maintain the Trust Account and the Trust Assets in the same manner as it maintains accounts and assets for its custodial customers;

(c) The Trust Account is and at all times shall be maintained at an office of the Trustee located within the Unites States of America; and

(d) Trustee is not a Parent, subsidiary or Affiliate of the Grantors or the Beneficiary.

Section 24. Parties' Representations.

Each Party represents and warrants to the other that it has full authority to enter into this Agreement upon the terms and conditions hereof and that the individual executing this Agreement on its behalf has the requisite authority to bind such Party to this Agreement, and that the Agreement constitutes a binding obligation of such Party enforceable in accordance with its terms.

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Section 25. Shareholder Communication Act.

With respect to securities issued in the United States, the Shareholders Communications Act of 1985 (the "Act") requires Trustee to disclose to the issuers, upon their request, the name, address and securities position of the Retrocessionaire Grantor that is (a) the "beneficial owners" (as defined in the Act) of the issuer's securities, if the beneficial owner does not object to such disclosure, or (b) acting as a "respondent bank" (as defined in the Act) with respect to the securities. (Under the Act, "respondent banks" do not have the option of objecting to such disclosure upon the issuers' request). The Act defines a "beneficial owner" as any person who has, or shares, the power to vote a security (pursuant to an agreement or otherwise), or who directs the voting of a security. The Act defines a "respondent bank" as any bank, association or other entity that exercises fiduciary powers which holds securities on behalf of beneficial owners and deposits such securities for safekeeping with a bank, such as Trustee. Under the Act, Retrocessionaire Grantor is either the "beneficial owner" or a "respondent bank."

[1 Retrocessionaire Grantor is the "beneficial owner," as defined in the Act, of the securities to be held by Trustee hereunder.
[1 Retrocessionaire Grantor is not the beneficial owner of the securities to be held by Trustee, but is acting as a "respondent bank," as defined in the Act, with respect to the securities to be held by Trustee hereunder.
IF NO BOX IS CHECKED, TRUSTEE SHALL ASSUME THAT DEPOSITOR IS THE BENEFICIAL OWNER OF THE SECURITIES.
For beneficial owners of the securities only:
[1 Retrocessionaire Grantor objects
[1 Retrocessionaire Grantor does not object
to the disclosure of its name, address and securities position to any issuer which requests such information pursuant to the Act for the specific purpose of direct communications between such issuer and Retrocessionaire Grantor.

IF NO BOX IS CHECKED, TRUSTEE SHALL RELEASE SUCH INFORMATION UNTIL IT RECEIVES A CONTRARY WRITTEN INSTRUCTION FROM RETROCESSIONAIRE GRANTOR.

With respect to securities issued outside of the United States, information shall be released to issuers only if required by law or regulation of the particular country in which the securities are located.

The Retrocessionaire Grantor agrees to disseminate in a timely manner any proxies or requests for voting instructions, other proxy soliciting material, information statements, and/or annual reports that it receives to any other beneficial owners.

Section 26. Information Sharing.

The Bank of New York Mellon Corporation is a global financial organization that operates in and provides services and products to clients through its affiliates and subsidiaries located in multiple jurisdictions (the "BNY Mellon Group"). The BNY Mellon Group may (i) centralize in one or more affiliates and subsidiaries certain activities (the "Centralized Functions"), including audit, accounting, administration, risk management, legal, compliance, sales, product communication, relationship management, and the compilation and analysis of information and data regarding Grantors and Beneficiary (which, for purposes of this provision, includes the name and business contact information for the Grantors' and Beneficiary's employees and representatives) and the accounts established pursuant to this Agreement ("Grantors' and Beneficiary's Information") and (ii) use third party service providers to store, maintain and process Grantors' and Beneficiary's Information ("Outsourced Functions"). Notwithstanding anything to the contrary contained elsewhere in this Agreement and solely in connection with the Centralized Functions and/or Outsourced Functions, Grantors and Beneficiary consent to the disclosure of, and authorize BNY Mellon to disclose, Grantors' and Beneficiary's Information to (i) other members of the BNY Mellon Group (and their respective officers, directors and employees) and to (ii) third-party service providers (but solely in connection with Outsourced Functions) who are required to maintain the confidentiality of Grantors' and Beneficiary's Information. In addition, the BNY Mellon Group may aggregate Grantors' and Beneficiary's Information with other data collected and/or calculated by the BNY Mellon Group, and the BNY Mellon Group will own all such aggregated data, provided that the BNY Mellon Group shall not distribute the aggregated data in a format that identifies Grantors' and Beneficiary's Information with Grantors and Beneficiary specifically. Grantors and Beneficiary represent that Grantors and Beneficiary are authorized to consent to the foregoing and that the disclosure of Grantors' and Beneficiary's Information in connection with the Centralized Functions and/or Outsourced Functions, and to the best of their knowledge and belief, does not violate any relevant data protection legislation. Grantors and Beneficiary also consent to the disclosure of Grantors' and Beneficiary's Information to governmental and regulatory authorities in jurisdictions where the BNY Mellon Group operates and otherwise as required by law.

Section 27. Insolvency.

The Grantors and Beneficiary agree that the Assets in the Trust Account may be withdrawn by the Beneficiary at any time, notwithstanding any other provisions in the LPT Agreements or other agreement, and be utilized and applied by the Beneficiary or its successors in interest by operation of law, including without limitation any liquidator, rehabilitator, receiver or conservator of the Beneficiary, without diminution because of the Beneficiary's or the Grantors' insolvency, but only for the Permitted Purposes.

Section 28. Remedies.

In the event of any default hereunder, the non-defaulting party may proceed to protect and enforce its rights either by suit in equity and/or by action at law, including, but not limited to, an action for damages as a result of any such default. The rights and remedies provided herein shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 29. Reinsurance Contract.

Notwithstanding anything to the contrary herein or in the LPT Agreements, in no event shall the rights and obligations of any Party hereunder be conditioned or dependent on or derivative of any provisions of the Reinsurance Agreement. No modification, amendment, or revision of the Reinsurance Agreement shall affect the terms and conditions hereof in any way.

Section 30. Counterparts; Electronic Execution

This Agreement may be executed in any number of counterparts and by the different Parties on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument, and may be delivered by facsimile or other electronic means intended to preserve the original graphic or pictorial appearance of a document, including portable document format (PDF) scan.

(signatures appear on the following page)

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IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed and delivered by their respective officers hereunto duly authorized as of the date first above written.

RETROCESSIONAIRE GRANTOR:

R&Q Bermuda (SAC) Limited, a Bermuda limited company, acting in respect of the HIIG Segregated Account

By: _____
Name: _____
Title: _____

REINSURER GRANTOR:

HIIG Re, a Cayman Island captive

By: _____
Name: _____
Title: _____

BENEFICIARY:

[_____], a Texas corporation

By: _____
Name: _____
Title: _____

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TRUSTEE:

The Bank of New York Mellon

By: _____
Name: _____
Title: _____

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Schedule 1

TIN Numbers

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Schedule 2

Telephone Number(s) for Call-Backs and
Person(s) Designated to Confirm Funds Transfer Instructions

(Beneficiary Telephone Call-Back Persons)

Telephone call-backs shall be made to the Beneficiary as per above (or to such other designees as the Beneficiary may provide notice to the other Parties) if joint instructions are required pursuant to the Agreement.

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Schedule 3

Title and Account Number

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EXHIBIT D

Roll Forward Methods

[***]

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EXHIBIT E

Sample Calculation of Reinsurance Warranty

[***]

Exhibit 10.15

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INVESTMENT MANAGEMENT AGREEMENT

INVESTMENT MANAGEMENT AGREEMENT (the "Agreement"), made as of the 6th day of November, 2015, among Houston Specialty Insurance Company, Imperium Insurance Company and Great Midwest Insurance Company (collectively, the "Client") and Arena Investors, LP, a Delaware limited partnership, as investment adviser (referred to herein as the "Investment Adviser").

WHEREAS, each of the Client's constituent entities is a Texas-domiciled insurance company;

WHEREAS, the Client desires to retain the Investment Adviser to perform certain investment management services with respect to an account containing a designated portion of the Client's assets, which will consist of such cash and securities as the Client designates plus or minus such additions or withdrawals as the Client shall make from time to time in accordance with this Agreement (the "Account"); and

WHEREAS, the Investment Adviser desires to undertake to perform such services in respect of the Account pursuant to the terms and subject to the conditions of this Agreement.

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

1. THE ACCOUNT.

(a) Account Assets. On or about the date agreed upon between the Client and the Investment Adviser for the commencement of the investment of the assets of the Account (the "Effective Date"), the Client will, subject to the terms hereof, establish the Account. The Client shall maintain such Account and shall make capital available to the Investment Adviser in accordance with the terms hereof. The assets in such Account, as altered from time to time by the investment, reinvestment or disposition thereof, are collectively referred to herein as the "Account Assets."

(b) Client Ownership. Notwithstanding anything herein to the contrary, all Account Assets in the Account are assets of, and solely owned by, the Client and remain such at all times. No right, duty, power or authorization granted to the Investment Adviser herein shall affect or be deemed to affect in any manner the Client's sole ownership of all Account Assets.

(c) Transaction Procedures. All transactions will be consummated by payment to, or delivery by, the Client, or such other party as the Client may designate in writing (the "Custodian"), of all cash and/or securities due to or from the Account. The Investment Adviser shall not act as custodian for the Account, but may issue such instructions to the Custodian as may be appropriate in connection with the settlement of transactions initiated by the Investment Adviser pursuant to Section 3 hereof. Instructions of the Investment Adviser to the Client and/or the Custodian shall be made in writing sent by electronic mail or, at the option of the Investment Adviser, orally and confirmed in writing as soon as practical thereafter, and the Investment Adviser shall instruct all brokers and dealers executing orders on behalf of the Account to forward to the Client and/or the Custodian copies of all confirmations promptly after execution of transactions. The Investment Adviser shall not be responsible for any loss incurred by reason of any act or omission of any broker or dealer or the Custodian; provided, however, that the Investment Adviser will make reasonable efforts to require that brokers and dealers selected by the Investment Adviser perform their obligations with respect to the Account.

(d) Custodian Responsibility. The Investment Adviser shall not be liable to the Client for (i) any failure of the Custodian to perform its responsibilities to the Account, including, but not limited to, any losses that arise from the failure of the Custodian to notify the Investment Adviser of any notices affecting called securities, deadline expirations, dates and capital reorganization events affecting the securities in the Account or (ii) any liability or loss with respect to the transmittal or safekeeping of cash, securities or other assets. It is understood that all transactions effected by the Investment Adviser for the Account shall be at the Client's expense and risk, and the Client accepts responsibility for all indebtedness, losses, calls for payment and other liabilities sustained. The Client shall promptly pay all costs and other amounts involved on demand.

2. APPOINTMENT OF THE INVESTMENT ADVISER. The Client hereby appoints the Investment Adviser to act as Investment Adviser for it in respect of the Account for the period and on the terms set forth in this Agreement. By executing this Agreement, the Investment Adviser accepts such appointment and agrees to render the services herein set forth for the compensation to be mutually agreed upon by the Client and the Investment Adviser.

3. DUTIES OF THE INVESTMENT ADVISER.

(a) The Investment Adviser shall have, and is hereby granted the discretionary authority, power, and right, for the Account and in the name of the Client in respect of the Account to invest in, and dispose of, certain credit assets as may be mutually agreed upon from time to time between the Investment Adviser and the Client.

(b) The Investment Adviser's management of the Account shall be consistent with the Investment Guidelines set forth in Exhibit A hereto.

(c) The Investment Adviser may cause the Client to open accounts (including cash or securities accounts) in the name of, or otherwise on behalf of, the Client, with prime brokers, other broker-dealers, banks, futures commission merchants, any counterparty and custodians. Subject to Section 1(c), the Investment Adviser shall have full discretionary authority over any such account and any assets therein and may direct such counterparties, on behalf of the Client, to transfer or deploy such assets. Subject to its duty of best execution, the Investment Adviser is not required to select the broker offering the lowest brokerage commission for any transaction and may take into consideration other factors in selecting brokers for the Client's transactions.

(d) Where permitted by law, the Investment Adviser may aggregate orders occurring at approximately the same time, for the Account with its own orders, those of any affiliated company or any other client orders. The Client acknowledges and agrees that such aggregation of orders may on some occasions operate to the disadvantage of the Account.

(e) The Investment Adviser shall consider whether and in what manner all rights conferred by investments should be exercised and exercise such rights accordingly. Without limiting the foregoing, but subject to Section 1(c), the Investment Adviser shall have the power on behalf of the Client to purchase, sell, exchange, transfer, lend (with or without security), mortgage, pledge, hypothecate, and otherwise act to acquire, dispose of, and exercise all rights, powers, privileges and other incidents of ownership or possession with respect to investments and other property or funds held or owned by the Client in the Account.

4. ADDITIONAL DUTIES OF THE INVESTMENT ADVISER.

(a) The investment management services of the Investment Adviser to the Client in respect of the Account under this Agreement are not exclusive with respect to the Investment Adviser, and the Investment Adviser shall be free to provide similar services to others. It is agreed that the Investment Adviser may give advice and take action with respect to such other clients or for its own account(s) that may differ from the advice or the timing or nature of action taken with respect to the Account. Furthermore, the Investment Adviser shall have no obligation to recommend for purchase or sale for the Account any asset that the Investment Adviser or an affiliate may purchase, sell or originate for its own account or for the account of any of their respective clients.

(b) The Investment Adviser shall not be liable to the Client or to any of the Client's affiliates or beneficial owners for any claim, loss, cost, indebtedness, liability, settlement or expense (including, without limitation, court costs, attorneys' fees and expenses, costs of investigation, expert witness fees, taxes and penalties) suffered by any such person that arises out of any action or inaction of the Investment Adviser, any of is respective affiliates, any Independent Representative, as applicable, if such person's course of conduct did not constitute willful misconduct, gross negligence, fraud or criminal wrongdoing in or about the conduct of the Investment Adviser's business or affairs on behalf of the Account or in the execution or discharge of such person's duties, powers, authorities or discretions (the "Standard of Care").

(c) The Investment Adviser shall determine how to vote (or not vote) proxies in connection with the Account in a manner consistent with (i) its fiduciary duty to the Client in respect of the Account and (ii) its policies and procedures in respect of proxy voting, as disclosed in the Investment Adviser's Form ADV Part 2A.

(d) As soon as reasonably practicable after the end of each month, the Investment Adviser shall prepare an informal unaudited report with respect to the Account's investments and returns in such form as the Investment Adviser may determine from time to time. The Investment Adviser shall prepare reports on such other matters as may be agreed to by the Investment Adviser and the Client.

5. COMPENSATION. The Investment Adviser shall be paid a management fee of [***]% p.a. of the net asset value of the Account and an annual performance fee of [***]% of net profits.

6. EXPENSES.

(a) Except as provided in Section 6(b) below, the Investment Adviser shall bear all of its separate expenses arising out of its duties hereunder, including all of its general overhead expenses (which include the rent of the offices which the Investment Adviser will occupy, compensation and benefits of the administrative staff of the Investment Adviser, maintenance of its books and records, and its fixed expenses, telephones, and general purpose office equipment).

(b) The Client shall bear all of its own operating and investment expenses associated with the Account and with the investments made by the Independent Adviser on behalf of the Account.

(c) The Client shall promptly reimburse the Arena Parties (as defined below) for any costs and expenses set forth in Section 6(b) incurred by the Arena Parties on behalf of the Account. "Arena Party" means the Investment Adviser, any affiliate of the Investment Adviser and any member, partner, shareholder, director, officer, employee or agent of the Investment Adviser or any such affiliate.

(d) The Investment Adviser shall not be responsible for litigation costs and other extraordinary expenses of the Client.

7. INSURANCE REGULATORY ACKNOWLEDGMENT. Each of the Client and the Investment Adviser acknowledges and agrees that if the Client is placed in receivership or seized by the commissioner under Tex. Ins. Code Chapter 443, then a) the Client shall notify the Investment Adviser as soon as practicable of such event, b) all of the rights of the Client under this Agreement will extend to the receiver or the commissioner c) following any written request therefor, all books and records will be made available to the receiver or the commissioner as soon as practicable and upon the receiver or the commissioner's request, copies thereof will be turned over to the receiver or commissioner as soon as practicable, and d) the Investment Advisor will not alter its system, programs or infrastructure as it relates to the services provided to the Client, except as unrelated to the any action under Tex. Ins. Code Chapter 443. It is understood that no action by the commissioner under Tex. Ins. Code Chapter 443 shall provide the Investment Advisor with an automatic right to terminate this Agreement.

8. INDEMNITY.

(a) The Client shall indemnify to the fullest extent permitted by applicable law, out of its assets, the Investment Adviser and its affiliates, partners, directors, shareholders, officers, controlling persons, employees (and their respective affiliates, directors, shareholders, officers, controlling persons, employees, and agents), and agents (each of the foregoing being an "Indemnified Party") against any liabilities, claims, and expenses, including amounts paid in satisfaction of judgments, in compromise, or as fines and penalties, and counsel fees and expenses reasonably incurred by such Indemnified Party in connection with the defense or disposition of any action, suit, or other proceeding, whether civil or criminal, before any court or administrative or investigative body, in which such Indemnified Party may be or may have been involved as a party or otherwise or with which such Indemnified Party may be or may have been threatened, in connection with this Agreement; except that, no Indemnified Party shall be indemnified hereunder against any liability or any expense of such Indemnified Party arising by reason of its violation of the Standard of Care.

(b) The Client shall make advance payments in connection with the expenses of defending any action with respect to which indemnification might be sought hereunder if the Client receives (i) a written affirmation of the Indemnified Party's good faith belief that the standard of conduct necessary for indemnification has been met and (ii) a written undertaking by or on behalf of the Indemnified Party to repay the amount paid or reimbursed if it shall ultimately be determined that such Indemnified Party is not entitled to be indemnified hereunder. Such obligation to make advance payments shall be on a pro rata basis based on the relative net asset values of the Account Assets to other funds or clients of the Investment Adviser from which indemnification is sought.

(c) All determinations with respect to indemnification hereunder shall be made by a final decision on the merits by a court or other body before whom the proceeding was brought that the Client is liable or not liable for any acts or omissions in connection with this Agreement. All determinations to advance payment in connection with the expense of defending any proceeding shall be made in accordance with Section 8(b).

(d) The rights accruing to any Indemnified Party under the provisions of this Section 8 shall not exclude any other right to which such Indemnified Party may be lawfully entitled.

(e) The provisions of this Section 8 shall survive the termination of this Agreement or the termination of the services of the Investment Adviser.

(f) The indemnification and exculpation provisions herein shall not be construed as a waiver of any rights of the Client under the U.S. securities laws.

9. REPRESENTATIONS AND WARRANTIES.

(a) The Client represents, warrants and agrees to the following:

(i) The Client is duly organized, validly existing and in good standing (where such concept exists) under the laws of its jurisdiction of incorporation or formation and has all requisite power and authority to own its property, to conduct its business as currently conducted and to execute and deliver, and to perform its obligations under, this Agreement.

(ii) This Agreement has been duly authorized, executed and delivered by it and constitutes a legal, valid and binding obligation of the Client, enforceable against such party in accordance with its terms.

(iii) The execution and delivery of, and the performance by the Client of its obligations under this Agreement do not and will not result in a breach or constitute a violation of, conflict with, or constitute a default under, the certificate of incorporation or bylaws of the Client or any agreement or instrument to which it is a party or by which it or any of its property is bound, which breach, violation, conflict or default could have a material adverse effect on its ability to perform its obligations under this Agreement.

(iv) The Client is and during the term of this Agreement will remain a "qualified purchaser" as defined in Section 2(a)(51)(A) of the U.S. Investment Company Act of 1940, as amended, and the rules promulgated thereunder and a "qualified institutional buyer" as defined in Rule 144A of the Securities Act. Further, the Client is an "Eligible Contract Participant" as defined under the Commodity Exchange Act.

(v) The Client has relied on the advice of its own professional advisers and is fully informed as to the legal, financial and tax aspects of the Investment Adviser's management of the Account.

(vi) No assets of the Account constitute assets of (i) an employee benefit plan as defined in and subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (ii) a plan as defined in and subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), (iii) a governmental, church or non-U.S. plan subject to any Federal, State, local or non-U.S. law substantially similar to Section 406 of ERISA or Section 4975 of the Code (each of the foregoing, a "Plan"), or (iv) any entity the assets of which constitute assets of any such Plan.

(vii) The Client represents and covenants that neither the Client, nor any person controlling, controlled by, or under common control with, the Client, nor any person having a beneficial interest in the Account, is a Prohibited Investor[1], and that the Account is not investing on behalf, or for the benefit, of any Prohibited Investor. Neither the Client nor any director, officer, partner, member, affiliate, or, if the Client is an unlisted company, any shareholder or beneficial owner of the Client is a Senior Foreign Political Figure,[2] any member of a Senior Foreign Political Figure's Immediate Family[3] or any Close Associate[4] of a Senior Foreign Political Figure unless the Client has notified the Investment Adviser of such fact. The Client is not resident in, or organized or chartered under the laws of, a jurisdiction that has been designated by the Secretary of the Treasury under Section 311 of the USA PATRIOT Act as warranting special measures due to money laundering concerns.[5] The Account funds do not originate from, nor were they routed through, an account maintained at a Foreign Shell Bank,[6] an offshore bank, a bank organized or chartered under the laws of a jurisdiction that has been designated by FATF as non-cooperative with international anti-money laundering principles or a financial institution subject to special measures under Section 311 of the USA PATRIOT Act. If the Client or any person controlling, controlled by, or under common control with the Client is organized under the laws of a country other than the United States to engage in the business of banking, the Subscriber or such person, as the case may be, either: (i) has a Physical Presence[7] in a country in which the Client (or such person) is authorized to conduct banking activities, at which address the Subscriber (or such person): (x) employs one or more persons on a full-time basis, (y) maintains operating records relating to its banking business, and (z) is subject to inspection by the banking authority from which it obtained its banking license; or (ii) is affiliated with a financial institution that maintains a Physical Presence in the United States or another country and is subject to supervision by a banking authority regulating such affiliated financial institution.

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[1] "Prohibited Investors" include: (1) a person or entity whose name appears on the list of Specially Designated Nationals and Blocked Persons maintained by the Office of Foreign Assets Control ("OFAC") or prohibited under OFAC country sanctions, or any blocked persons list maintained by the SEC or other governmental or regulatory body as may become applicable to the General Partner and Arena, (2) any Foreign Shell Bank, (as defined below), and (3) any person or entity resident in or whose subscription funds are transferred from or through an account in a jurisdiction that has been designated as non-cooperative with international anti-money laundering principles or procedures by an intergovernmental group or organization, such as the Financial Action Task Force on Money Laundering ("FATF"), of which the U.S. is a member and with which designation the U.S. representative to the group or organization continues to concur. See http://www.fatf-gafi.org for FATF's list of Non-Cooperative Countries and Territories.

[2] "Senior Foreign Political Figure" means a current or former senior political official in the executive, legislative, administrative, military or judicial branches of a non-U.S. government (whether elected or not), a current or former senior official of a major non-U.S. political party, or a current or former senior executive of a non-U.S. government-owned corporation. In addition, a Senior Foreign Political Figure includes any corporation, business or other entity that has been formed by, or for the benefit of, a Senior Foreign Political Figure.

[3] "Immediate Family" with respect to a Senior Foreign Political Figure, typically includes the political figure's parents, siblings, spouse, children and in-laws.

[4] "Close Associate" means, with respect to a Senior Foreign Political Figure, a person who is widely and publicly known internationally to maintain an unusually close relationship with the Senior Foreign Political Figure, and includes a person who is in a position to conduct substantial domestic and international financial transactions on behalf of the Senior Foreign Political Figure.

[5] Notice of jurisdictions that have been designated by the Treasury Department as a primary money laundering concern under Section 311 are published in the Federal Register and on the website of the Treasury Department's Financial Crimes Enforcement Network ("FinCEN") at http://www.fincen.gov/reg_section311.html. FinCEN also issues advisories regarding jurisdictions that it deems to be deficient in their counter-money laundering regimes. Such advisories are posted at http://www.fincen.gov/pub_main.html.

[6] "Foreign Shell Bank" means a Foreign Bank without a Physical Presence (each as defined below) in any country, but does not include a Regulated Affiliate (as defined below).

"Foreign Bank" means an organization that (i) is organized under the laws of a country outside the United States; (ii) engages in the business of banking; (iii) is recognized as a bank by the bank supervisory or monetary authority of the country of its organization or principal banking operations; (iv) receives deposits to a substantial extent in the regular course of its business; and (v) has the power to accept demand deposits, but does not include the U.S. branches or agencies of a foreign bank.

[7] "Physical Presence" means a place of business that is maintained by a Foreign Bank and is located at a fixed address, other than solely a post office box or an electronic address, in a county in which the Foreign Bank is authorized to conduct banking activities, at which location the Foreign Bank: (i) employs one or more individuals on a full-time basis; (ii) maintains operating records related to its banking activities; and (iii) is subject to inspection by the banking authority that licensed the Foreign Bank to conduct banking activities.

"Regulated Affiliate" means a Foreign Shell Bank that: (i) is an affiliate of a depository institution, credit union, or Foreign Bank that maintains a Physical Presence in the U.S. or a foreign country, as applicable; and (ii) is subject to supervision by a banking authority in the country regulating such affiliated depository institution, credit union, or Foreign Bank.

(viii) The Client represents that (i) neither the Client nor any person who has discretionary authority to cause the Client to enter into this Agreement is an associated person of a firm that is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA") (f/k/a the National Association of Securities Dealers, Inc.); or (ii) if the Subscriber or any person who has discretionary authority to cause the Client to enter into this Agreement is an associated person of a firm that is a member of FINRA, the associated person has informed the FINRA member firm with which it is associated of this Agreement and has not been advised by such member that it may not enter into this Agreement.

(b) The Investment Adviser represents warrants and agrees to the following:

(i) It is duly organized, validly existing and in good standing (where such concept exists) under the laws of its jurisdiction of incorporation or formation and has all requisite power and authority to own its property, to conduct its business as currently conducted and to execute and deliver, and to perform its obligations under, this Agreement.

(ii) This Agreement has been duly authorized, executed and delivered by it and constitutes a legal, valid and binding obligation of the Investment Adviser, enforceable against such party in accordance with its terms.

(iii) The execution and delivery of, and the performance by the Investment Adviser of its obligations under this Agreement do not and will not result in a breach or constitute a violation of, conflict with, or constitute a default under, the certificate of incorporation or bylaws of the Investment Adviser or any agreement or instrument to which it is a party or by which it or any of its property is bound, which breach, violation, conflict or default could have a material adverse effect on its ability to perform its obligations under this Agreement

10. CONFIDENTIALITY.

(a) All information with respect to the business and assets of the Account, the Investment Adviser and their affiliates shall be presumed confidential and proprietary unless the Client and the Investment Adviser otherwise so indicate in writing. The Client covenants that the Client shall at all times keep confidential and not, directly or indirectly, disclose, divulge, furnish or make accessible to anyone, or use in any manner that would be adverse to the interests of the Account or the Investment Adviser, any confidential or proprietary information to which the Client has been or shall become privy relating to the business or assets of the Account or the Investment Adviser except with the prior written approval of the Investment Adviser or except for information that is otherwise publicly available (other than information made publicly available by the Client relying on this exemption in disclosing such information) or required to be disclosed by law.

(b) The Investment Adviser covenants that the Investment Adviser shall at all times keep confidential and not, directly or indirectly, disclose, divulge, furnish or make accessible to anyone, or use in any manner that would be adverse to the interests of the Account or the Client, the identity of the Client or the terms of this Agreement, except in connection with the Investment Adviser's performance under this Agreement, with the prior written approval of the Client, or except for information that is otherwise publicly available (other than information made publicly available by the Client relying on this exemption in disclosing such information) or required to be disclosed by law or to comply with governmental or regulatory request or court order or in order to enforce rights under this agreement.

(c) Before any disclosure of information otherwise subject to this paragraph on the grounds that such information has otherwise become publicly available or that such disclosure is required by law, the Client shall so inform the Investment Adviser and shall give the Investment Adviser, to the greatest extent reasonably practicable, an opportunity to contest whether such information has in fact otherwise been made publicly available or is required by law to be disclosed. The Client shall only disclose such information if, and to the extent that, such disclosure is affirmatively determined to be permitted on the basis of such information otherwise having been so made publicly available or the disclosure being required by law.

(d) The Client may, however, share such information with the Client's investment advisers (only to the extent necessary for the protection of the Client), beneficial owners, board members, accountants, attorneys and regulators having jurisdiction over it ("Permitted Confidants"); provided, that the Client's Permitted Confidants undertake to hold such information strictly confidential to the same extent set forth herein, and not in any manner or respect to use any of such information for their personal gain; and provided further, that the Client accepts full liability for any unauthorized use or disclosure of such information by the Client's Permitted Confidants.

11. DURATION AND TERMINATION.

(a) This Agreement shall become effective on the Effective Date and shall remain in full force and effect until the twelfth month-end following the Effective Date. Thereafter, unless otherwise terminated, this Agreement will automatically be renewed for subsequent twelve-month terms.

(b) Either party may terminate this Agreement at any time by providing not less than 120 days' and not more than 180 days' prior written notice to the other party.

(c) Any notice of termination shall have no effect upon the liabilities and commitments initiated, made, or accrued prior to the effective date of termination. Any obligations for acts or activities under this Agreement that are incurred prior to its termination shall survive any termination hereof.

(d) Notwithstanding the foregoing provisions of this Section 11, each of the Client and the Investment Adviser acknowledges and agrees that this Agreement may not be terminated during any period in which the Client is in receivership pursuant to Tex. Ins. Code Chapter 443 and during such period, the Investment Adviser will continue to maintain any systems, programs or other infrastructure used in connection with managing the Account Assets and will make them reasonably available to the receiver upon its request for so long as the Investment Adviser continues to receive timely payment of the management fee and is otherwise reimbursed for the costs and expenses of continuing to manage the Account Assets.

12. SERVICE TO OTHER CLIENTS AND OUTSIDE BUSINESS ACTIVITIES.

(a) It is understood that the Investment Adviser performs investment advisory services for various clients and manages its own proprietary accounts. The Client agrees that the Investment Adviser may give advice and take action with respect to any of its other clients or the Investment Adviser's proprietary accounts which may differ from advice given or the timing or nature of action taken with respect to the Account, so long as it is the Investment Adviser's policy, to the extent practical, to allocate investment opportunities to the Account over a period of time on a fair and equitable basis relative to other clients and proprietary accounts. It is understood that the Investment Adviser shall not have any obligation to purchase or sell, or to recommend for purchase or sale, for the Account any security which the Adviser, its principals, affiliates or employees may purchase or sell for its or their own accounts or for the account of any other client, if in the opinion of the Investment Adviser such transaction or investment appears unsuitable, impractical or undesirable for the Account.

(b) Except to the extent of any restrictions prescribed by law, the Investment Adviser and its officers, employees and beneficial owners shall be free from time to time to acquire, possess, manage, and dispose of securities or other investment assets for their own accounts, for the accounts of their families, for the account of any entity in which they have a beneficial interest or for the accounts of others for whom any of the foregoing may provide investment advisory, brokerage or other services in transactions which may or may not correspond with transactions effected or positions held in the Account; provided, however, that the Investment Adviser shall not cause the Client to purchase any asset from or sell any asset to the Investment Adviser or any of its officers or employees or any account or entity controlled by such persons without the Client's consent, which may be obtained via the procedures described under Section 3(g) above.

13. NO PERSONAL LIABILITY. Except as expressly set forth in this Agreement, each of the Client and the Investment Adviser understands and agrees that other persons not parties hereto, including but not limited to the directors and officers of such parties, shall not personally be bound by or liable hereunder, nor shall any resort to their personal property be had for the satisfaction of any obligation or claim hereunder.

14. INDEPENDENT CONTRACTOR STATUS. The Investment Adviser shall for all purposes herein be deemed to be an independent contractor and shall, unless otherwise expressly provided herein or authorized by the Client from time-to-time, have no authority to act for or represent the Client in any way or otherwise be deemed an agent of the Client.

15. GOVERNING LAW. Notwithstanding the place where this Agreement may be executed by any of the parties hereto, the parties expressly agree that this Agreement, and all terms and provisions hereof, shall be governed by and construed in accordance with the internal laws of the State of New York (without conflicts of laws principles) applicable to agreements made and to be performed in New York.

16. NOTICES. Unless otherwise specified in this Agreement, all notices or other communications that the Investment Adviser or the Client may desire or be required to give hereunder shall be in writing and shall be personally delivered, delivered by facsimile transmission, mailed by certified or registered mail, sent by overnight delivery by a reputable private carrier or postal service or transmitted by e-mail in accordance with the provisions below.

If to the Investment Adviser:

Arena Investors, LP
405 Lexington Avenue, 59th floor
New York, New York 10174
United States

Facsimile

Email

If to the Client:

Houston Specialty Insurance Company
Imperium Insurance Company
Great Midwest Insurance Company
ATTN: Treasurer – Cynthia L. Casale
800 Gessner Road, Suite 600
Houston, Texas 77024
United States

17. NO THIRD PARTY BENEFICIARY RIGHTS. The provisions of this Agreement are intended solely for the benefit of the Client and the Investment Adviser and, to the fullest extent permitted by law, shall not be construed as conferring any benefit upon any creditor or receiver of the Client (and no such creditor or receiver shall be deemed a third party beneficiary of this Agreement).

18. ASSIGNMENT.

(a) This Agreement may not be assigned, in whole or in part, by any party to this Agreement without the prior written consent of the other party hereto. Subject to the foregoing, this Agreement shall inure to the benefit of and be binding on the parties hereto and their successors and permitted assigns, in each case provided that such successor or assignee agrees to be bound by the terms and conditions of this Agreement.

(b) Notwithstanding Section 17(a), this Agreement may be assigned, in whole or in part, by the Investment Adviser to one or more affiliates of the Investment Adviser upon notice to the Client, whereupon the assignee shall be substituted for the Investment Adviser hereunder and the Investment Adviser shall have no further liability or obligation hereunder, on condition that such assignment does not constitute an "assignment" for purposes of Section 205(a)(2) of the Investment Advisers Act of 1940, as amended.

19. AMENDMENT; WAIVER. This Agreement shall not be amended except by a writing signed by the parties hereto. No waiver of any provision of this Agreement shall be implied from any course of dealing between the parties hereto or from any failure by any party hereto to assert its rights hereunder on any occasion or series of occasions.

20. COUNTERPARTS. This Agreement may be executed in any number of identical counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same agreement as if the signatures to each counterpart were upon a single instrument. This Agreement shall become effective when counterparts have been signed by each party and delivered to the other parties, provided that a facsimile signature shall be considered due execution and shall be binding upon the signatory thereto with the same force and effect as if the signature were an original and not a facsimile signature.

21. HEADINGS. Headings to sections herein are for the convenience of the parties only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

22. SEVERABILITY. If any provision of this Agreement, or the application of any provision to any person or circumstance, shall be held to be inconsistent with any present or future law, ruling, rule, or regulation of any court or governmental or regulatory authority having jurisdiction over the subject matter hereof, such provision shall be deemed to be rescinded or modified in accordance with such law, ruling, rule, or regulation, and the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it shall be held inconsistent, shall not be affected thereby.

IN WITNESS WHEREOF, the parties hereto have caused the foregoing instrument to be executed as of the date first stated above.

HOUSTON SPECIALTY INSURANCE COMPANY

By: /s/ Cynthia L. Casale
Name: Cynthia L. Casale
Title: Treasurer

IMPERIUM INSURANCE COMPANY

By: /s/ Cynthia L. Casale
Name: Cynthia L. Casale
Title: Treasurer

GREAT MIDWEST INSURANCE COMPANY

By: /s/ Cynthia L. Casale
Name: Cynthia L. Casale
Title: Treasurer

ARENA INVESTORS, LP

By: /s/ Lawrence D. Cutler
Name: Lawrence D. Cutler
Title: Chief Operating Officer

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF DISCLOSED.

EXHIBIT A

INVESTMENT GUIDELINES

Portfolio Guidelines.

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF DISCLOSED.

EXECUTION VERSION

INVESTMENT MANAGEMENT AGREEMENT

INVESTMENT MANAGEMENT AGREEMENT (the "Agreement"), made as of the 13th day of January, 2016, among Houston Specialty Insurance Company, Imperium Insurance Company and Great Midwest Insurance Company (collectively, the "Client") and Arena Investors, LP, a Delaware limited partnership, as investment adviser (referred to herein as the "Investment Adviser").

WHEREAS, each of the Client's constituent entities is a Texas-domiciled insurance company;

WHEREAS, the Client desires to retain the Investment Adviser to perform certain investment management services with respect to an account containing a designated portion of the Client's assets, which will consist of such cash and securities as the Client designates plus or minus such additions or withdrawals as the Client shall make from time to time in accordance with this Agreement (the "Account"); and

WHEREAS, the Investment Adviser desires to undertake to perform such services in respect of the Account pursuant to the terms and subject to the conditions of this Agreement.

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

1. THE ACCOUNT.

(a) Account Assets. On or about the date agreed upon between the Client and the Investment Adviser for the commencement of the investment of the assets of the Account (the "Effective Date"), the Client will, subject to the terms hereof, establish the Account. The Client shall maintain such Account and shall make capital available to the Investment Adviser in accordance with the terms hereof. The assets in such Account, as altered from time to time by the investment, reinvestment or disposition thereof, are collectively referred to herein as the "Account Assets."

(b) Client Ownership. Notwithstanding anything herein to the contrary, all Account Assets in the Account are assets of, and solely owned by, the Client and remain such at all times. No right, duty, power or authorization granted to the Investment Adviser herein shall affect or be deemed to affect in any manner the Client's sole ownership of all Account Assets.

(c) Opening of Bank Accounts; Appointment of Custodian. The Client hereby delegates to the Investment Adviser responsibility for opening up bank accounts, engaging prime brokers and appointing a custodian recommended by the Investment Adviser (the "Custodian") in respect of the Account. In connection therewith, the Client agrees to cooperate with the Investment Adviser and promptly provide any documentation or signatures required in connection with opening such accounts, engaging such prime brokers and appointing the Custodian.

(d) Transaction Procedures. All transactions will be consummated by payment to, or delivery by, the Client or the Custodian, of all cash and/or securities due to or from the Account. The Investment Adviser shall not act as custodian for the Account, but may issue such instructions to the Custodian as may be appropriate in connection with the settlement of transactions initiated by the Investment Adviser pursuant to Section 3 hereof. Instructions of the Investment Adviser to the Client and/or the Custodian shall be made in writing sent by electronic mail or, at the option of the Investment Adviser, orally and confirmed in writing as soon as practical thereafter, and the Investment Adviser shall instruct all brokers and dealers executing orders on behalf of the Account to forward to the Client and/or the Custodian copies of all confirmations promptly after execution of transactions. The Investment Adviser shall not be responsible for any loss incurred by reason of any act or omission of any broker or dealer or the Custodian; provided, however, that the Investment Adviser will make reasonable efforts to require that brokers and dealers selected by the Investment Adviser perform their obligations with respect to the Account.

(e) Custodian Responsibility. The Investment Adviser shall not be liable to the Client for (i) any failure of the Custodian to perform its responsibilities to the Account, including, but not limited to, any losses that arise from the failure of the Custodian to notify the Investment Adviser of any notices affecting called securities, deadline expirations, dates and capital reorganization events affecting the securities in the Account or (ii) any liability or loss with respect to the transmittal or safekeeping of cash, securities or other assets. It is understood that all transactions effected by the Investment Adviser for the Account shall be at the Client's expense and risk, and the Client accepts responsibility for all indebtedness, losses, calls for payment and other liabilities sustained. The Client shall promptly pay all costs and other amounts involved on demand.

2. APPOINTMENT OF THE INVESTMENT ADVISER. The Client hereby appoints the Investment Adviser to act as Investment Adviser for it in respect of the Account for the period and on the terms set forth in this Agreement. By executing this Agreement, the Investment Adviser accepts such appointment and agrees to render the services herein set forth for the compensation herein provided, including on Exhibit A hereto.

3. DUTIES OF THE INVESTMENT ADVISER.

(a) Subject in each case to any requirement to obtain the Compliance Approval (as defined below) pursuant to Section 3(b), if applicable, the Investment Adviser shall have, and is hereby granted the following discretionary authorities, powers, and rights, for the Account and in the name of the Client in respect of the Account: buying, selling (including short selling), and trading, on margin or otherwise, any Admitted Asset. For these purposes, an "Admitted Asset" means: (i) United States currency; (ii) bonds issues by the State of Texas; (iii) bonds or other evidences of indebtedness of the United States the principal and interest of which are guaranteed by the United States; (iv) bonds or other interest-bearing evidences of indebtedness of a country or municipality of the State of Texas; (v) notes secured by first mortgages—(A) on otherwise unencumbered real property in the State of Texas the title to which is valid and (B) the payment of which is insured wholly or partly by the United States; (vi) government obligations of any state of the United States or a province of Canada; (vii) stock of national or state banks; (viii) deposits in Certain Financial Institutions (as defined in the Texas Insurance Code); (ix) certain obligations of a partnership or corporation; (x) mutual funds; (xi) real property; (xii) obligations secured by real property loans; (xiii) transportation equipment; (xiv) investment in a foreign jurisdiction; (xv) certain loans on the pledge of any mortgage, stock, bond or other evidence of indebtedness acceptable as an investment as long as the value of the collateral is 25% more than the amount of the loan; (xvi) obligations of Local Government Entities (as defined in the Texas Insurance Code); (xvii) notes or bonds issued by the University of Texas; (xviii) bonds issues, assumed or guaranteed in the international market; (xix) other bonds or notes specifically authorized by the Texas Insurance Code; (xx) certain dollar roll, repurchase, reverse repurchase and securities lending transactions; (xxi) certain risk control transactions (derivative instruments); (xxii) short term investment pools (strict limitations on types of investments in pool); and (xviii) other assets as long as they are (A) not specifically identified within the Accounting Practices and Policies, or any subsequently promulgated rules or regulations, of the Texas Insurance Code as a "nonadmitted asset" and (B) specifically identified within the Accounting Practices and Policies, or any subsequently promulgated rules or regulations, of the Texas Insurance Code as an "admitted asset."

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF DISCLOSED.

(b) Prior to the purchase of, or entry into a short position in respect of, any Admitted Asset (each, a "Purchase Transaction"), the Investment Adviser shall provide the Client reasonably in advance of any such Purchase Transaction sufficient information to enable the Client to confirm that the Purchase Transaction complies with state insurance regulatory laws applicable to the Client. The Investment Adviser shall not be authorized to enter into any such Purchase Transaction until the foregoing confirmations have been received (which may be via email, facsimile or telephone) from the Client (such confirmations, the "Compliance Approval"). The Client shall confirm its willingness or unwillingness to provide the Compliance Approval as soon as practicable after advance notice by the Investment Adviser, it being understood that the Investment Adviser shall not be responsible for any losses that result from the Client's failure to respond in a timely manner. For the avoidance of doubt, the Investment Adviser shall not be obligated to seek a new Compliance Approval from the Client (i) as a result of any change in terms of a Purchase Transaction prior to the closing of such Purchase Transaction unless there is a fundamental change in the underlying collateral or asset implicated by such Purchase Transaction or (ii) in connection with the sale of any asset acquired pursuant to this Agreement. Each of the Client and the Investment Adviser agrees that upon the six month anniversary of this Agreement, the Client and the Investment Adviser shall review and discuss in good faith the process and necessity for obtaining the Compliance Approvals and eliminate or amend such process as mutually agreed upon by the Client and the Investment Adviser.

(c) The Investment Adviser is authorized to engage in loan origination activity.

(d) Notwithstanding Section 3(a), 3(b) and 3(c), the Investment Adviser's management of the Account shall be consistent with the Investment Guidelines set forth in Exhibit B hereto.

(e) The Investment Adviser may cause the Client to open accounts (including cash or securities accounts) in the name of, or otherwise on behalf of, the Client, with prime brokers, other broker-dealers, banks, futures commission merchants, any counterparty and custodians. Subject to Section 1(c), the Investment Adviser shall have full discretionary authority over any such account and any assets therein and may direct such counterparties, on behalf of the Client, to transfer or deploy such assets. Subject to its duty of best execution, the Investment Adviser is not required to select the broker offering the lowest brokerage commission for any transaction and may take into consideration other factors in selecting brokers for the Client's transactions.

(g) Subject to Section 3(b), the Investment Adviser is authorized to cause the Client to borrow monies from time to time (and to pledge, mortgage, hypothecate or encumber the assets in the Account, and issue notes or other evidences of indebtedness, in connection therewith) through leverage facilities entered into in advance or through margin provided by prime brokers, on such terms and subject to such conditions as the Investment Adviser may determine but, in all cases, consistent with the Investment Guidelines set forth in Exhibit B hereto. In connection therewith, the Client agrees to cooperate with the Investment Adviser and promptly provide any documentation or signatures required in connection with such matters.

(g) The Investment Adviser shall allocate orders and investment opportunities among the Account and its other client and proprietary accounts in accordance with the Investment Adviser's allocation policy and in accordance with its fiduciary duties to the Client and the other client accounts. The Client acknowledges that while the Investment Adviser, its affiliates and their personnel will seek to allocate orders and investment opportunities in a manner that they believe is equitable to all their clients and proprietary accounts, such allocations may not necessarily be *pro rata* as to the Account and other participating entities and clients (due to differing objectives, availability of investable funds or other considerations) and, thus, there can be no assurance that a particular order or investment opportunity will be allocated in a particular manner. If conflicts arise in the allocation of investment opportunities, the Investment Adviser shall seek to resolve such conflicts equitably. The Client acknowledges that the foregoing policy does not require that each opportunity be made available to all accounts, leaving significant discretion to the Investment Adviser.

(h) Where permitted by law, the Investment Adviser may aggregate orders occurring at approximately the same time, for the Account with its own orders, those of any affiliated company or any other client orders. The Client acknowledges and agrees that such aggregation of orders may on some occasions operate to the disadvantage of the Account.

(i) With the consent of the Client, the Investment Adviser may cause the Account to engage in transactions with affiliates of the Investment Adviser.

(j) Subject to Section 3(a) and 3(b), the Investment Adviser may from time to time form one or more partnerships, limited liability companies or other types of entities that are owned in part by the Account or other accounts managed by the Investment Adviser or affiliates of the Investment Adviser (each such entity or joint venture, an "Acquisition Vehicle"), the purpose of which is to purchase, own or dispose of investments and to allocate participation in such investments among the Account and the Investment Adviser's other accounts; provided that such Acquisition Vehicle shall not be subject to any additional management or performance fee.

(k) The Investment Adviser shall consider whether and in what manner all rights conferred by investments should be exercised and exercise such rights accordingly. Without limiting the foregoing, but subject to Section 1(c), Section 3(a) and Section 3(b), the Investment Adviser shall have the power on behalf of the Client to purchase, sell, exchange, transfer, lend (with or without security), mortgage, pledge, hypothecate, and otherwise act to acquire, dispose of, and exercise all rights, powers, privileges and other incidents of ownership or possession with respect to investments and other property or funds held or owned by the Client in the Account.

4. ADDITIONAL DUTIES OF THE INVESTMENT ADVISER.

(a) The investment management services of the Investment Adviser to the Client in respect of the Account under this Agreement are not exclusive with respect to the Investment Adviser, and the Investment Adviser shall be free to provide similar services to others. It is agreed that the Investment Adviser may give advice and take action with respect to such other clients or for its own account(s) that may differ from the advice or the timing or nature of action taken with respect to the Account. Furthermore, the Investment Adviser shall have no obligation to recommend for purchase or sale for the Account any asset that the Investment Adviser or an affiliate may purchase, sell or originate for its own account or for the account of any of their respective clients.

(b) The Investment Adviser shall not be liable to the Client or to any of the Client's affiliates or beneficial owners for any claim, loss, cost, indebtedness, liability, settlement or expense (including, without limitation, court costs, attorneys' fees and expenses, costs of investigation, expert witness fees, taxes and penalties) suffered by any such person that arises out of any action or inaction of the Investment Adviser, any of is respective affiliates, any Independent Representative, as applicable, if such person's course of conduct did not constitute willful misconduct, gross negligence, fraud or criminal wrongdoing in or about the conduct of the Investment Adviser's business or affairs on behalf of the Account or in the execution or discharge of such person's duties, powers, authorities or discretions (the "Standard of Care").

(c) The Investment Adviser shall determine how to vote (or not vote) proxies in connection with the Account in a manner consistent with (i) its fiduciary duty to the Client in respect of the Account and (ii) its policies and procedures in respect of proxy voting, as disclosed in the Investment Adviser's Form ADV Part 2A.

(d) The Investment Adviser shall use commercially reasonable efforts to provide the Client with a statement each month end for the Account within 20 days after month end, calculated according to the General Accepted Accounting Principles.

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF DISCLOSED.

5. COMPENSATION.

(a) A management fee is calculated and deducted from the Account monthly in advance on the first day of each month and paid to the Investment Adviser or its affiliates in an amount equal to [***]% ([***]% per annum) of the balance of the Account payable on the first day of each month as described in the Schedule of Fees attached as Exhibit A hereto (the "Management Fee").

(b) Further, a performance fee is calculated as of December 31 of each year and upon the date of any disposition of Set Aside Assets in connection with a withdrawal request and deducted from the Account equal to [***]% of the net profits for such period (including net profits on unrealized gains), subject to a "high water mark" provision, as described in the Schedule of Fees attached Exhibit A hereto (the "Performance Fee" or "Set Aside Fee").

(c) The Client, through the execution of this Agreement, hereby provides its consent to the terms of the Schedule of Fees attached as Exhibit A hereto.

6. EXPENSES.

(a) Except as provided in Section 6(b) and Section 6(c) below, the Investment Adviser shall bear all of its separate expenses arising out of its duties hereunder, including all of its general overhead expenses (which include the rent of the offices which the Investment Adviser will occupy, compensation and benefits of the administrative staff of the Investment Adviser, maintenance of its books and records, and its fixed expenses, telephones, and general purpose office equipment).

(b) The Client shall bear all of its own operating and investment expenses including, but not limited to: the fees as set forth on the Schedule of Fees attached hereto as Exhibit B; brokerage commissions; expenses relating to short sales; hedging expenses; clearing and settlement charges; custodial fees; bank service fees; administrative expenses; valuation and appraisal expenses; interest expenses; financing costs; investment-related expenses, including travel (both private and commercial) and due diligence expenses; professional fees relating to investments (including expenses of attorneys, consultants and experts); other costs, fees and expenses incurred in connection with the investigation, development, acquisition, consummation, ownership, maintenance, monitoring, hedging or disposition of investments; origination fees; costs of trade breaks; costs of trade errors to the extent consistent with the Investment Adviser's Trade Error Policy; expenses related to organizing and structuring any blockers of special purpose vehicles; tax structuring costs; costs of joint venture servicing; risk management expenses; legal fees and compliance expenses; expenses related to or in connection with any governmental inquiry, investigation or proceeding involving the Account, including the amounts of any judgments, settlements or fines paid in connection therewith; accounting and operations expenses (including the cost of accounting software packages); extraordinary expenses (including litigation, indemnification and contribution expenses); expenses related to unconsummated investments, transactions or joint venture arrangements; out-of-pocket expenses of asset management personnel; third party administrator expenses; insurance costs; fees and expenses of sub-advisers; cost of software in connection with investments (including fees of third party software developers); costs of relevant non-accounting software; expenses relating to quantitative analysis and software management services; fees and expenses of servicers of specific assets owned by the Account; costs of research, information systems, software and hardware; costs of participations and other forms of compensation provided to deal finders or sourcers; costs of other service providers to the Account, including the Investment Adviser's affiliate, Arena Management Co., LLC, in connection with its services to the Investment Adviser in respect of the Account (provided, for the avoidance of doubt, except as provided in Section 6(c) below, the salaries of the Investment Adviser's employees (whether employed directly or through service agreements with AMC), rent and other normal operating overhead of the Investment Adviser and its affiliates shall not be borne by the Account); costs of third parties that approve affiliated transactions and possibly other conflicts involving the Account (including the Independent Representative); and costs and expenses associated with the preparation and distribution of periodic reports to the Client. To the extent such costs, fees or expenses are incurred for the benefit of both the Account and other entities managed by the Investment Adviser or its affiliates, the Investment Adviser shall make a good faith allocation of such costs, fees or expenses among the Account and such entities.

(d) Affiliates of the Investment Adviser may charge the Account a fee in connection with the management and servicing of certain portions of the Account's loan portfolio. This fee is in addition to the Management Fee already borne by the Account and will be used to facilitate the Investment Adviser or its affiliates in engaging personnel and incurring other overhead costs to manage loans in lieu of hiring an unaffiliated third-party service provider to provide these services. Any fee payable to the Investment Adviser or its affiliates will be comparable to a fee that a qualified independent third-party service provider would have charged to the Account for such services.

(e) The Client shall promptly reimburse the Arena Parties (as defined below) for any costs and expenses set forth in Section 6(b) incurred by the Arena Parties on behalf of the Account. "Arena Party" means the Investment Adviser, any affiliate of the Investment Adviser and any member, partner, shareholder, director, officer, employee or agent of the Investment Adviser or any such affiliate. Client hereby authorizes the Custodian and agrees to cause the Custodian to reimburse such amounts to the Arena Parties to ensure the Client's compliance with this provision.

(f) The Investment Adviser shall not be responsible for litigation costs and other extraordinary expenses of the Client.

7. WITHDRAWALS.

a) The Client shall have the right to make withdrawals from the Account in amounts designated by the Client (the "Withdrawal Amount") to be effective as of the last business day of any calendar month (each, a "Withdrawal Date"); provided that a written notice requesting such Withdrawal Amount (the "Withdrawal Notice") is provided to the Investment Adviser no later than ten (10) business days before the Withdrawal Date; provided, that any withdrawal that would bring the Account balance below the lesser of (i) $10,000,000 and (ii) 20% of the net asset value of the Account Assets as of the last month end shall be deemed a termination of this Agreement pursuant to Section 11. Subject to the authority of the Investment Adviser to retain amounts already designated for investment in a new investment, a follow-on investment or the satisfaction of anticipated expenses related to the Account, including for payment of taxes by the Client (as long as the need for such amount to satisfy tax liabilities has been communicated to the Investment Adviser at least 90 days in advance) (the "Reserve"), any Account Assets constituting cash or temporary cash equivalents as of such Withdrawal Date shall be used to satisfy such Withdrawal Amount and, to the extent so applied, the Agreement shall be deemed terminated in respect of such amounts.

b) To the extent the cash and temporary cash equivalents in the Account as of the Withdrawal Date are insufficient to satisfy the Withdrawal Amount in full as of the Withdrawal Date, the Investment Adviser will designate the portion of such Withdrawal Amount attributable to assets that the Investment Adviser determines in its sole discretion cannot be readily liquidated (such portion of the Withdrawal Amount together with any Reserve, the "Set Aside Portion" and the related assets, the "Set Aside Assets"). Following the Withdrawal Date, the Set Aside Portion will not participate in any new Account Assets or follow-on investments in respect of existing Account Assets, but the related Set Aside Assets shall be managed in the same manner as for other clients of the Investment Adviser participating in such Account Assets and the Account will participate in any profits or losses associated with such Set Aside Assets. For the avoidance of doubt, such Set Aside Assets will be liquidated at the same time on behalf of all clients of the Investment Adviser, including the Client, and shall not be liquidated prematurely on behalf of the Client or its Account. Each Set Aside Asset will be tracked separately and to the extent any follow-on investment is made by the Account in such asset, it shall be treated as a new or separate Account Asset for purposes of allocating profits and losses in respect thereof.

c) As and when the Set Aside Assets corresponding to the Set Aside Portion are realized (each such asset, a "Realized Set Aside Asset") or other payments are received by the Account attributable to such Set Aside Assets (including, but not limited to, dividends, principal and interest received in respect thereof), the Custodian shall distribute to the Client its Set Aside Percentage of the proceeds of such Realized Set Aside Asset, *less* (i) any additional reserve the Investment Adviser determines in its sole discretion may be necessary to satisfy liabilities (including future Management Fees in respect of any remaining Set Aside Portion) in respect of the remainder of such Set Aside Portion, (ii) any accrued Management Fees, and allocated expenses (to the extent not already paid from other sources) based on the Account's Set Aside Percentage of such Set Aside Asset, and (iii) any Set Aside Fee then payable pursuant to Exhibit A. Following such distribution, the Agreement shall be deemed terminated in respect of such amounts.

d) Following any Withdrawal Date, a set aside percentage (a "Set Aside Percentage") shall be determined for the withdrawal equal to the Account's percentage participation in any Set Aside Assets in which other clients participate immediately prior to such Withdrawal Date *multiplied* by the percentage of such Account sought to be withdrawn. Profits and losses in respect of the Account's Set Aside Assets will be allocated based on the Account's Set Aside Percentage.

8. INDEMNITY.

(a) The Client shall indemnify to the fullest extent permitted by applicable law, out of its assets, the Investment Adviser and its affiliates, partners, directors, shareholders, officers, controlling persons, employees (and their respective affiliates, directors, shareholders, officers, controlling persons, employees, and agents), and agents (each of the foregoing being an "Indemnified Party") against any liabilities, claims, and expenses, including amounts paid in satisfaction of judgments, in compromise, or as fines and penalties, and counsel fees and expenses reasonably incurred by such Indemnified Party in connection with the defense or disposition of any action, suit, or other proceeding, whether civil or criminal, before any court or administrative or investigative body, in which such Indemnified Party may be or may have been involved as a party or otherwise or with which such Indemnified Party may be or may have been threatened, in connection with this Agreement; except that, no Indemnified Party shall be indemnified hereunder against any liability or any expense of such Indemnified Party arising by reason of its violation of the Standard of Care.

(b) The Client shall make advance payments in connection with the expenses of defending any action with respect to which indemnification might be sought hereunder if the Client receives (i) a written affirmation of the Indemnified Party's good faith belief that the standard of conduct necessary for indemnification has been met and (ii) a written undertaking by or on behalf of the Indemnified Party to repay the amount paid or reimbursed if it shall ultimately be determined that such Indemnified Party is not entitled to be indemnified hereunder. Such obligation to make advance payments shall be on a pro rata basis based on the relative net asset values of the Account Assets to other funds or clients of the Investment Adviser from which indemnification is sought.

(c) All determinations with respect to indemnification hereunder shall be made pursuant to Section 16 of this Agreement. All determinations to advance payment in connection with the expense of defending any proceeding shall be made in accordance with Section 8(b).

(d) The rights accruing to any Indemnified Party under the provisions of this Section 8 shall not exclude any other right to which such Indemnified Party may be lawfully entitled.

(e) The provisions of this Section 8 shall survive the termination of this Agreement or the termination of the services of the Investment Adviser.

The indemnification and exculpation provisions herein shall not be construed as a waiver of any rights of the Client under the U.S. securities laws.

9. REPRESENTATIONS AND WARRANTIES.

(a) The Client represents, warrants and agrees to the following:

(i) The Client is duly organized, validly existing and in good standing (where such concept exists) under the laws of its jurisdiction of incorporation or formation and has all requisite power and authority to own its property, to conduct its business as currently conducted and to execute and deliver, and to perform its obligations under, this Agreement.

(ii) This Agreement has been duly authorized, executed and delivered by it and constitutes a legal, valid and binding obligation of the Client, enforceable against such party in accordance with its terms.

(iii) The execution and delivery of, and the performance by the Client of its obligations under this Agreement do not and will not result in a breach or constitute a violation of, conflict with, or constitute a default under, the certificate of incorporation or bylaws of the Client or any agreement or instrument to which it is a party or by which it or any of its property is bound, which breach, violation, conflict or default could have a material adverse effect on its ability to perform its obligations under this Agreement.

(iv) The Client acknowledges the receipt of the Investment Adviser's Form ADV Part 2A and Part 2B on or prior to the Effective Date. The Client has reviewed the Investment Adviser's Form ADV Part 2A and Part 2B and acknowledges and understands the conflicts of interest disclosed therein.

(v) The Client has carefully reviewed, understands and has agreed to the Schedule of Fees set forth in Exhibit A hereto, the Investment Guidelines set forth in Exhibit B hereto, Certain Conflicts of Interest set forth in Exhibit C hereto and Certain Risk Factors set forth in Exhibit D hereto. The Client has substantial knowledge and experience in business and financial matters. The Client can afford to bear the risks of the Investment Adviser's management of the Account, including the risk of losing the entire Account balance.

(vi) The Client is and during the term of this Agreement will remain a "qualified purchaser" as defined in Section 2(a)(51)(A) of the U.S. Investment Company Act of 1940, as amended, and the rules promulgated thereunder and a "qualified institutional buyer" as defined in Rule 144A of the Securities Act. Further, the Client is an "Eligible Contract Participant" as defined under the Commodity Exchange Act.

(vii) The Client has relied on the advice of its own professional advisers and is fully informed as to the legal, financial and tax aspects of the Investment Adviser's management of the Account.

(viii) No assets of the Account constitute assets of (i) an employee benefit plan as defined in and subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (ii) a plan as defined in and subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), (iii) a governmental, church or non-U.S. plan subject to any Federal, State, local or non-U.S. law substantially similar to Section 406 of ERISA or Section 4975 of the Code (each of the foregoing, a "Plan"), or (iv) any entity the assets of which constitute assets of any such Plan.

(ix) The Client is not a foreign person, foreign corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined in the Code and Treasury Regulations).

(x) The Client represents and warrants that it is aware that the Investment Adviser and their affiliates may, on behalf of the Account, effect transactions (known as "cross trades") in which the Investment Adviser or one of their affiliates also is acting for other parties (including, without limitation, other funds or pooled investment vehicles established or advised by the Investment Adviser and their affiliates, such as funds for their employees) on the other side of the same transaction (including circumstances where the Investment Adviser or one of their affiliates acts as broker for both sides of the transaction), and may have a potentially conflicting division of loyalties and responsibilities regarding the Account and the other parties to the transaction. By executing this Agreement, the Client hereby authorizes and consents to any and all of the foregoing transactions, including any exercise by the Investment Adviser of its right to consent to such transactions on behalf of the Account, and agrees that it has read, understood and accepts the conflicts of interests described in Exhibit D. Further, the Client understands that because a portion of the Account's strategy may involve frequent acquisitions of loans originated by an affiliate of the Investment Adviser, AOC, or other affiliated parties, and the possible sale of a portion of those loans to affiliated clients of the Investment Adviser, certain conflict resolution procedures may be implemented to provide for the review of, and consent to, such transactions on behalf of the Account.

(xi) The Client understands that the Investment Adviser is indirectly owned and controlled by The Westaim Corporation ("Westaim"), a Canadian corporation. In addition, Subscriber understands that Bernard Partners, LLC ("BernardCo"), an entity owned by Daniel Zwirn and certain other members of the management team of the Investment Adviser, may eventually earn a majority equity interest in the Investment Adviser, after which Westaim may retain certain veto rights over extraordinary actions designed to protect Westaim's economic interests in the Investment Adviser. The Investment Adviser does not anticipate that the change in equity ownership will have any effect on the day-to-day management or investment decision-making of the Investment Adviser, which are expected to remain with BernardCo. To the extent any such change in the equity ownership of the Investment Adviser represents an "assignment" or change of control within the meaning of the Advisers Act, the Client hereby consents to such assignment or, alternatively, consents to an independent representative with relevant experience, to provide consent to such assignment or change of control on behalf of the Client. The Client understands and agrees that any such consent given on its behalf will be binding on it and the Account.

(xii) The Client represents and covenants that neither the Client, nor any person controlling or controlled by the Client, nor any person having a beneficial interest in the Account, is a Prohibited Investor[1], and that the Account is not investing on behalf, or for the benefit, of any Prohibited Investor. Neither the Client nor any director, officer, partner, member, affiliate, or, if the Client is an unlisted company, any shareholder or beneficial owner of the Client is a Senior Foreign Political Figure,[2] any member of a Senior Foreign Political Figure's Immediate Family[3] or any Close Associate[4] of a Senior Foreign Political Figure unless the Client has notified the Investment Adviser of such fact. The Client is not resident in, or organized or chartered under the laws of, a jurisdiction that has been designated by the Secretary of the Treasury under Section 311 of the USA PATRIOT Act as warranting special measures due to money laundering concerns.[5] The Account funds do not originate from, nor were they routed through, an account maintained at a Foreign Shell Bank,[6] an offshore bank, a bank organized or chartered under the laws of a jurisdiction that has been designated by FATF as noncooperative with international anti-money laundering principles or a financial institution subject to special measures under Section 311 of the USA PATRIOT Act. If the Client or any person controlling, controlled by, or under common control with the Client is organized under the laws of a country other than the United States to engage in the business of banking, the Subscriber or such person, as the case may be, either: (i) has a Physical Presence' in a country in which the Client (or such person) is authorized to conduct banking activities, at which address the Subscriber (or such person): (x) employs one or more persons on a full-time basis, (y) maintains operating records relating to its banking business, and (z) is subject to inspection by the banking authority from which it obtained its banking license; or (ii) is affiliated with a financial institution that maintains a Physical Presence in the United States or another country and is subject to supervision by a banking authority regulating such affiliated financial institution.

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[1]"Prohibited Investors" include: (1) a person or entity whose name appears on the list of Specially Designated Nationals and Blocked Persons maintained by the Office of Foreign Assets Control ("OFAC") or prohibited under OFAC country sanctions, or any blocked persons list maintained by the SEC or other governmental or regulatory body as may become applicable to the General Partner and Arena, (2) any Foreign Shell Bank, (as defined below), and (3) any person or entity resident in or whose subscription funds are transferred from or through an account in a jurisdiction that has been designated as non-cooperative with international anti-money laundering principles or procedures by an intergovernmental group or organization, such as the Financial Action Task Force on Money Laundering ("FATF"), of which the U.S. is a member and with which designation the U.S. representative to the group or organization continues to concur. See http://www.fatf-gafi.org for FATF's list of Non-Cooperative Countries and Territories.

[2]"Senior Foreign Political Figure" means a current or former senior political official in the executive, legislative, administrative, military or judicial branches of a non-U.S. government (whether elected or not), a current or former senior official of a major non-U.S. political party, or a current or former senior executive of a non-U.S. government-owned corporation. In addition, a Senior Foreign Political Figure includes any corporation, business or other entity that has been formed by, or for the benefit of, a Senior Foreign Political Figure.

[3]"Immediate Family" with respect to a Senior Foreign Political Figure, typically includes the political figure's parents, siblings, spouse, children and in-laws.

[4]"Close Associate" means, with respect to a Senior Foreign Political Figure, a person who is widely and publicly known internationally to maintain an unusually close relationship with the Senior Foreign Political Figure, and includes a person who is in a position to conduct substantial domestic and international financial transactions on behalf of the Senior Foreign Political Figure.

[5]Notice of jurisdictions that have been designated by the Treasury Department as a primary money laundering concern under Section 311 are published in the Federal Register and on the website of the Treasury Department's Financial Crimes Enforcement Network ("FinCEN") at http://www.fincen.gov/reg section311.html. FinCEN also issues advisories regarding jurisdictions that it deems to be deficient in their counter-money laundering regimes. Such advisories are posted at http://www.fincen.gov/pub main.html.

[6] "Foreign Shell Bank" means a Foreign Bank without a Physical Presence (each as defined below) in any country, but does not include a Regulated Affiliate (as defined below).

"Foreign Bank" means an organization that (i) is organized under the laws of a country outside the United States; (ii) engages in the business of banking; (iii) is recognized as a bank by the bank supervisory or monetary authority of the country of its organization or principal banking operations; (iv) receives deposits to a substantial extent in the regular course of its business; and (v) has the power to accept demand deposits, but does not include the U.S. branches or agencies of a foreign bank.

"Physical Presence" means a place of business that is maintained by a Foreign Bank and is located at a fixed address, other than solely a post office box or an electronic address, in a county in which the Foreign Bank is authorized to conduct banking activities, at which location the Foreign Bank: (i) employs one or more individuals on a full-time basis; (ii) maintains operating records related to its banking activities; and (iii) is subject to inspection by the banking authority that licensed the Foreign Bank to conduct banking activities.

"Regulated Affiliate" means a Foreign Shell Bank that: (i) is an affiliate of a depository institution, credit union, or Foreign Bank that maintains a Physical Presence in the U.S. or a foreign country, as applicable; and (ii) is subject to supervision by a banking authority in the country regulating such affiliated depository institution, credit union, or Foreign Bank.

(xiii) The Client represents that (i) neither the Client nor any person who has discretionary authority to cause the Client to enter into this Agreement is an associated person of a firm that is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA") (f/k/a the National Association of Securities Dealers, Inc.); or (ii) if the Subscriber or any person who has discretionary authority to cause the Client to enter into this Agreement is an associated person of a firm that is a member of FINRA, the associated person has informed the FINRA member firm with which it is associated of this Agreement and has not been advised by such member that it may not enter into this Agreement.

(b) The Investment Adviser represents warrants and agrees to the following:

(i) It is duly organized, validly existing and in good standing (where such concept exists) under the laws of its jurisdiction of incorporation or formation and has all requisite power and authority to own its property, to conduct its business as currently conducted and to execute and deliver, and to perform its obligations under, this Agreement.

(ii) This Agreement has been duly authorized, executed and delivered by it and constitutes a legal, valid and binding obligation of the Investment Adviser, enforceable against such party in accordance with its terms.

(iii) The execution and delivery of, and the performance by the Investment Adviser of its obligations under this Agreement do not and will not result in a breach or constitute a violation of, conflict with, or constitute a default under, the certificate of incorporation or bylaws of the Investment Adviser or any agreement or instrument to which it is a party or by which it or any of its property is bound, which breach, violation, conflict or default could have a material adverse effect on its ability to perform its obligations under this Agreement.

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF DISCLOSED.

10. CONFIDENTIALITY.

(a) All information with respect to the business and assets of the Account, the Investment Adviser and their affiliates shall be presumed confidential and proprietary unless the Client and the Investment Adviser otherwise so indicate in writing. The Client covenants that the Client shall at all times keep confidential and not, directly or indirectly, disclose, divulge, furnish or make accessible to anyone, or use in any manner that would be adverse to the interests of the Account or the Investment Adviser, any confidential or proprietary information to which the Client has been or shall become privy relating to the business or assets of the Account or the Investment Adviser except with the prior written approval of the Investment Adviser, or as required by law or regulation, or except for information that is otherwise publicly available (other than information made publicly available by the Client relying on this exemption in disclosing such information) or required to be disclosed by law.

(b) The Investment Adviser covenants that the Investment Adviser shall at all times keep confidential and not, directly or indirectly, disclose, divulge, furnish or make accessible to anyone, or use in any manner that would be adverse to the interests of the Account or the Client, the identity of the Client or the terms of this Agreement, except in connection with the Investment Adviser's performance under this Agreement, with the prior written approval of the Client, or except for information that is otherwise publicly available (other than information made publicly available by the Client relying on this exemption in disclosing such information) or required to be disclosed by law or to comply with governmental or regulatory request or court order or in order to enforce rights under this agreement.

(c) Before any disclosure of information otherwise subject to this paragraph on the grounds that such information has otherwise become publicly available or that such disclosure is required by law, the Client shall so inform the Investment Adviser and shall give the Investment Adviser, to the greatest extent reasonably practicable, an opportunity to contest whether such information has in fact otherwise been made publicly available or is required by law to be disclosed. The Client shall only disclose such information if, and to the extent that, such disclosure is affirmatively determined to be permitted on the basis of such information otherwise having been so made publicly available or the disclosure being required by law. To the extent that it has been reasonably determined that information must be provided to the Texas Department of Insurance ("TDI"), such information will be redacted before being provided to TDI in a manner that ensures the Investment Adviser's compliance with its confidentiality obligations with respect to any third parties. If TDI will not accept redaction of such information, then Client shall indemnify the Investment Adviser for any liabilities, claims and expenses arising in connection with the provision of such information in a manner consistent with its indemnification obligations set forth in Section 8.

(d) The Client may, however, share such information with the Client's investment advisers (only to the extent necessary for the protection of the Client), beneficial owners, board members, accountants and attorneys ("Permitted Confidants"); provided, that the Client's Permitted Confidants undertake to hold such information strictly confidential to the same extent set forth herein, and not in any manner or respect to use any of such information for their personal gain; and provided further, that the Client accepts full liability for any unauthorized use or disclosure of such information by the Client's Permitted Confidants.

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF DISCLOSED.

11. DURATION AND TERMINATION.

(a) This Agreement shall become effective on the Effective Date and shall remain in full force and effect until the twelfth month-end following the Effective Date. Thereafter, unless otherwise terminated, this Agreement will automatically be renewed for subsequent twelve-month terms.

(b) Either party may terminate this Agreement at any time by providing not less than 120 days' and not more than 180 days' prior written notice of termination to the other party.

(c) A termination of this Agreement shall be treated as a withdrawal of the entirety of the Account balance and the provisions of Section 7 shall apply such that (i) the Investment Adviser will cease reinvesting the positions in the Account, (ii) the Account shall be subject to a Performance Fee as of the date of such termination, (iii) all cash assets and cash equivalents shall be promptly made available to the Client and (iv) any remaining positions shall be treated as Set Aside Assets subject to the provisions of Section 7 (including with respect to the continued application of the Management Fee and the application of the Set Aside Fee).

(d) Any notice of termination shall have no effect upon the liabilities and commitments initiated, made, or accrued prior to the effective date of termination. Any obligations for acts or activities under this Agreement that are incurred prior to its termination shall survive any termination hereof.

(e) Notwithstanding the foregoing provisions of this Section 11, each of the Client and the Investment Adviser acknowledges and agrees that this Agreement may not be terminated during any period in which the Client is in receivership pursuant to Tex. Ins. Code Chapter 443 and during such period, the Investment Adviser will continue to maintain any systems, programs or other infrastructure used in connection with managing the Account Assets and will make them reasonably available to the receiver upon its request for so long as the Investment Adviser continues to receive timely payment of the management fee and is otherwise reimbursed for the costs and expenses of continuing to manage the Account Assets.

12. SERVICE TO OTHER CLIENTS AND OUTSIDE BUSINESS ACTIVITIES.

(a) It is understood that the Investment Adviser performs investment advisory services for various clients and manages its own proprietary accounts. The Client agrees that the Investment Adviser may give advice and take action with respect to any of its other clients or the Investment Adviser's proprietary accounts which may differ from advice given or the timing or nature of action taken with respect to the Account, so long as it is the Investment Adviser's policy, to the extent practical, to allocate investment opportunities to the Account over a period of time on a fair and equitable basis relative to other clients and proprietary accounts. It is understood that the Investment Adviser shall not have any obligation to purchase or sell, or to recommend for purchase or sale, for the Account any security which the Adviser, its principals, affiliates or employees may purchase or sell for its or their own accounts or for the account of any other client, if in the opinion of the Investment Adviser such transaction or investment appears unsuitable, impractical or undesirable for the Account.

(b) Except to the extent of any restrictions prescribed by law, the Investment Adviser and its officers, employees and beneficial owners shall be free from time to time to acquire, possess, manage, and dispose of securities or other investment assets for their own accounts, for the accounts of their families, for the account of any entity in which they have a beneficial interest or for the accounts of others for whom any of the foregoing may provide investment advisory, brokerage or other services in transactions which may or may not correspond with transactions effected or positions held in the Account; provided, however, that the Investment Adviser shall not cause the Client to purchase any asset from or sell any asset to the Investment Adviser or any of its officers or employees or any account or entity controlled by such persons without the Client's consent, which may be obtained via the procedures described under Section 3(i) above.

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF DISCLOSED.

13. NO PERSONAL LIABILITY. Except as expressly set forth in this Agreement, each of the Client and the Investment Adviser understands and agrees that other persons not parties hereto, including but not limited to the directors and officers of such parties, shall not personally be bound by or liable hereunder, nor shall any resort to their personal property be had for the satisfaction of any obligation or claim hereunder.

14. INSURANCE REGULATORY ACKNOWLEDGMENT. Each of the Client and the Investment Adviser acknowledges and agrees that if the Client is placed in receivership or seized by the commissioner under Tex. Ins. Code Chapter 443, then the Client shall notify the Investment Adviser as soon as practicable of such event, all of the rights of the Client under this Agreement will extend to the receiver or the commissioner and, following any written request therefor, all books and records will be made available to the receiver or the commissioner as soon as practicable and upon the receiver or the commissioner's request, copies thereof will be turned over to the receiver or commissioner as soon as practicable.

15. INDEPENDENT CONTRACTOR STATUS. The Investment Adviser shall for all purposes herein be deemed to be an independent contractor and shall, unless otherwise expressly provided herein or authorized by the Client from time-to-time, have no authority to act for or represent the Client in any way or otherwise be deemed an agent of the Client.

16. GOVERNING LAW; ARBITRATION. Notwithstanding the place where this Agreement may be executed by any of the parties hereto, the parties expressly agree that this Agreement, and all terms and provisions hereof, shall be governed by and construed in accordance with the internal laws of the State of New York (without conflicts of laws principles) applicable to agreements made and to be performed in New York. Any dispute, controversy or claim arising out of or in connection with or relating to this Agreement or any breach or alleged breach hereof shall be submitted to, and determined and settled by, arbitration in New York, New York, pursuant to the Comprehensive Arbitration Rules of the Judicial Arbitration and Mediation Services, and judgment upon any such arbitral award rendered may be entered in any court having jurisdiction thereof.

17. NOTICES. Unless otherwise specified in this Agreement, all notices or other communications that the Investment Adviser or the Client may desire or be required to give hereunder shall be in writing and shall be personally delivered, delivered by facsimile transmission, mailed by certified or registered mail, sent by overnight delivery by a reputable private carrier or postal service or transmitted by e-mail in accordance with the provisions below.

If to the Investment Adviser:

Arena Investors, LP
405 Lexington Avenue, 59th floor
New York, New York 10174
United States

Email: [***] and [***]

Attn: Lawrence Cutler and Marcel Herbst

If to the Client:

HIIG Service Company
800 Gessner, Suite 600
Houston, TX 77024
United States

Email: [***]

Attn: Mark Haushill

18. NO THIRD PARTY BENEFICIARY RIGHTS. The provisions of this Agreement are intended solely for the benefit of the Client and the Investment Adviser and, to the fullest extent permitted by law, shall not be construed as conferring any benefit upon any creditor or receiver of the Client (and no such creditor or receiver shall be deemed a third party beneficiary of this Agreement).

19. ASSIGNMENT.

(a) This Agreement may not be assigned, in whole or in part, by any party to this Agreement without the prior written consent of the other party hereto. Subject to the foregoing, this Agreement shall inure to the benefit of and be binding on the parties hereto and their successors and permitted assigns, in each case provided that such successor or assignee agrees to be bound by the terms and conditions of this Agreement.

(b) Notwithstanding Section 19(a), this Agreement may be assigned, in whole or in part, by the Investment Adviser to one or more affiliates of the Investment Adviser upon notice to the Client, whereupon the assignee shall be substituted for the Investment Adviser hereunder and the Investment Adviser shall have no further liability or obligation hereunder, on condition that such assignment does not constitute an "assignment" for purposes of Section 205(a)(2) of the Investment Advisers Act of 1940, as amended.

20. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties hereto with respect to the matters referred to herein, and no other agreement, verbal or otherwise, shall be binding as between the parties unless it shall be in writing and signed by the party against whom enforcement is sought.

21. AMENDMENT; WAIVER. This Agreement shall not be amended except by a writing signed by the parties hereto. No waiver of any provision of this Agreement shall be implied from any course of dealing between the parties hereto or from any failure by any party hereto to assert its rights hereunder on any occasion or series of occasions.

22. COUNTERPARTS. This Agreement may be executed in any number of identical counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same agreement as if the signatures to each counterpart were upon a single instrument. This Agreement shall become effective when counterparts have been signed by each party and delivered to the other parties, provided that a facsimile signature shall be considered due execution and shall be binding upon the signatory thereto with the same force and effect as if the signature were an original and not a facsimile signature.

23. HEADINGS. Headings to sections herein are for the convenience of the parties only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

24. SEVERABILITY. If any provision of this Agreement, or the application of any provision to any person or circumstance, shall be held to be inconsistent with any present or future law, ruling, rule, or regulation of any court or governmental or regulatory authority having jurisdiction over the subject matter hereof, such provision shall be deemed to be rescinded or modified in accordance with such law, ruling, rule, or regulation, and the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it shall be held inconsistent, shall not be affected thereby.

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IN WITNESS WHEREOF, the parties hereto have caused the foregoing instrument to be executed as of the date first stated above.

HOUSTON SPECIALTY INSURANCE COMPANY

By: /s/ Cynthia L. Casale
Name:
Title:

IMPERIUM INSURANCE COMPANY

By: /s/ Cynthia L. Casale
Name:
Title:

GREAT MIDWEST INSURANCE COMPANY

By: /s/ Cynthia L. Casale
Name:
Title:

ARENA INVESTORS, LP

By: /s/ Lawrence D. Cutler
Name: Lawrence D. Cutler
Title: Chief Operating Officer

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SCHEDULE I

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EXECUTION VERSION

EXHIBIT A

SCHEDULE OF FEES

[***]

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EXECUTION VERSION

EXHIBIT B

INVESTMENT GUIDELINES

Objective.

The investment objective for the Account is to seek capital appreciation and current income by investing in debt and equity instruments, with an emphasis on debt instruments. The Investment Adviser will pursue this objective through the creation and maintenance of a managed account pursuant to the qualifications and restrictions set forth in these Investment Guidelines and the Investment Management Agreement among Investment Adviser, Houston Specialty Insurance Company, Imperium Insurance Company and Great Midwest Insurance Company dated as of January 13, 2016.

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EXECUTION VERSION

EXHIBIT C

CERTAIN CONFLICTS OF INTEREST

Affiliated Loan Origination Vehicle. As part of the strategy for the Account, AOC and certain other affiliates of Arena, engage in and are expected to continue engaging in loan origination. AOC may sell all or a portion of those loans to the Account. Such parties may receive loan origination fees in connection with such activity and in connection with loans that are originated by other Arena clients and also may be sold to the Account. To the extent that the Account participates in loans originated by AOC, it is anticipated that it will share in the related origination fees. However, the Account may not benefit from all of the origination fees received by such parties. Mr. Zwirn and certain other members of the management team involved in managing the Account and selecting investments may be entitled, under certain circumstances, to share in such origination fees. AOC or its affiliates also may sell certain of its loans to the Arena Finance Affiliates (defined below).

Conflicts Procedures. Because a portion of the Account's investment strategy may involve frequent acquisitions of loans originated by AOC or other affiliated parties, including other Arena clients, where such a transaction constitutes (or may constitute), as determined by the Investment Adviser, a "principal transaction" under Section 206(3) of the Investment Advisers Act of 1940, certain conflict resolution procedures have been implemented to provide for the independent review of, and consent to, such transactions on behalf of the Account. As agreed to by the Client, an independent representative (the "Independent Representative") may be appointed by the Investment Adviser to review each such transaction, including the price and value of the asset so acquired. The Independent Representative may be requested to approve other transactions involving potential conflicts of interest. There is no guarantee that the foregoing procedures will eliminate the risk of conflicts of interest associated with these transactions

Valuation and Acquisition of Loans Originated by Other Arena Clients or AOC. As noted above, the Account may acquire from other Arena clients or AOC participations in and/or assignments or sales of loans (or interests therein) that such other Arena client or AOC has originated and/or purchased. In the event of such an acquisition, the price of the participation, assignment or sale will not be set by the Investment Adviser, such other Arena client or AOC but rather will be established based on a third-party valuation. Further, in the case of a "principal transaction" or a possible "principal transaction," as defined in Section 206(3) of the Advisers Act, the decision by the Account to accept or reject the offer will be made by a party independent of the Investment Adviser, such as an independent third-party valuation firm or an Independent Representative of the Account. There is no guarantee that the determinations of the Independent Representative will guarantee that such transaction is entered into at the most advantageous price.

Trading by the Investment Adviser. The Investment Adviser and its affiliates may trade securities for their own accounts. The records of such trading will not be made available to the Client. It is possible that the Investment Adviser and its affiliates may buy or sell securities or other instruments that the Investment Adviser has recommended to clients and may engage in transactions for their own accounts in a manner that is inconsistent with the Investment Adviser's recommendations to a client.

Personal Trading by Investment Adviser Employees. Personal securities transactions by principals, officers and employees may raise potential conflicts of interest when such persons trade in a security that is owned by, or considered for purchase or sale for, a client. The Investment Adviser has adopted policies and procedures designed to detect and prevent such conflicts of interest and, when they do arise, to ensure that it effects transactions for clients in a manner that is consistent with its fiduciary duty to its clients and in accordance with applicable law. In compliance with the Investment Adviser's Code of Ethics for

Personal Trading, transactions in certain securities described therein are required to be pre-cleared to allow for a review for any potential conflict of interest or insider trading. Principals, officers and employees of the Investment Adviser are required to report personal securities transactions either electronically or via a monthly (or as generated, *e.g.,* quarterly) duplicate statement sent directly from the corresponding brokerage firm.

Restrictions of Fund Trading Activities—Material Non-Public Information. Arena employees regularly acquire confidential information and Arena may enter into confidentiality and/or "standstill agreements" when assessing investment opportunities. By reason of its various activities, Arena and its employees may have access to material non-public information ("MNPI") about an issuer. For example, an employee of Arena may serve from time to time as a director, or in a similar capacity, or as an executive officer, with respect to, the securities of which may be purchased or sold on behalf of clients, which service may prohibit all clients from engaging in transactions in certain issuers. Additionally, employees of Arena may acquire MNPI in the ordinary course of their investment activities, which acquisition may result in restrictions on the Account's ability to sell a portfolio investment at a time when it might otherwise have done so. Any of these activities could prevent the Account from buying or selling securities or other interests in an issuer, potentially for an extended period.

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Arena Finance Affiliates. Arena is affiliated with Arena Finance National LLC and Arena Finance Global LLC (together, the "Arena Finance Affiliates"). The Arena Finance Affiliates earn interest income and certain financing-related fees from holding debt instruments they acquire from AOC as well as from unrelated parties. Mr. Zwirn and certain members of the management team, will receive a salary and a bonus from the Finance Affiliates through BernardCo, and Mr. Zwirn will perform certain services on behalf of these firms.

Arena Services Affiliate. Arena Management Co., LLC ("AMC") has entered into a services agreement with the Investment Adviser. However, AMC and the individuals it employs are not dedicated solely to the Investment Adviser. AMC has also entered into services agreements with AOC and the Arena Finance Affiliates. As a result, the individuals AMC employs may face conflicting demands on their time and attention.

Compensation Structure. The Investment Adviser and affiliates and their principals ("Arena Parties") receive fees and performance-based compensation from the Client. The Arena Parties have a conflict of interest between their responsibility to manage the Account for the benefit of Client and their interest in maximizing the fees and profits such Arena Parties will receive. For example, the performance-based compensation paid to the Investment Adviser or its affiliate may create an incentive for the Investment Adviser to engage in more speculative investing than might be the case if the Investment Adviser or its affiliate were compensated solely based on a flat percentage of capital. Also, fees the Investment Adviser and its principals receive from the Investment Adviser's affiliates may create an incentive for the Investment Adviser to make investment recommendations that maximize those fees rather than recommendations in the best interests of the Client. The Investment Adviser endeavors to mitigate those risks by engaging in the Conflicts Procedures described above.

Valuation Risks. It is anticipated that a substantial portion of the Client's portfolio will consist of illiquid and difficult to value instruments. The Investment Adviser will be responsible for valuing instruments based on available information. Because both the Management Fee and Performance Fee calculations derive from the valuation of the Account Assets, the Investment Adviser faces a conflict in valuing the Client's Account. Although the Investment Adviser will seek to mitigate this conflict by relying on third party sources for valuation, such third party sources may not be available for many instruments.

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EXECUTION VERSION

EXHIBIT D

CERTAIN RISK FACTORS

Risk of Loss of a Portion or All of the Account Assets.

The Client's investments in securities through the Account are speculative and involve substantial risks, including, without limitation, general market and investment risks, risks associated with certain instruments, trading techniques and strategies, risks associated with derivatives, structural risks and tax risks. Such an investment is suitable only for persons who have limited need for liquidity in their investment, particularly due to extensive use of illiquid investments. No assurance exists that the Account will achieve its investment objective. A portion or all of the Account Assets may be lost. This is a risk the Client must be prepared to bear.

Substantial Costs. The Account is subject to fees (including the Management Fee), transactional and operating costs and expenses irrespective of its performance which, in the aggregate, may be substantial. If these fees, costs and expenses are not offset by investment gains, then the Account will not achieve its investment objective.

Illiquid Assets. It is anticipated that a substantial portion of the Account's positions will be or become relatively or entirely illiquid or may cease to be traded after the Account invests. In such cases, and in the event of extreme market volatility, the Account may not be able to liquidate its positions promptly if the need should arise. In addition, the Account's sales of some securities could depress the market value of such securities and thereby reduce the Account's profitability or increase its losses. The illiquidity of the assets could mean that the Client is obligated to wait a significant period of time (up to several years) before receiving any proceeds.

Fraud. Of paramount concern in lending is the possibility of material misrepresentation or omission on the part of the borrower. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability to perfect or effectuate a lien on the collateral securing the loan. The Account will rely upon the accuracy and completeness of representations made by borrowers and/or other counterparties, co-investors and service providers to the extent reasonable, but cannot guarantee such accuracy or completeness.

Bank Loans and Participations. The Account's investment program may include bank loans and participations. These obligations are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a "fraudulent conveyance" under relevant creditors' rights laws; (ii) so-called "lender liability" claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of The Account to directly enforce its rights with respect to participations. In analyzing each bank loan or participation, the Investment Adviser compares the relative significance of the risks against the expected benefits. Successful claims by third parties arising from these and other risks, absent violation of the Standard of Care by the Investment Adviser or its affiliates, will be borne by the Account.

The Account may experience significant delays in the settlement of certain loan and/or bank debt transactions, particularly in the case of investments that are or become distressed. Until such transactions are settled, The Account is subject to counterparty insolvency risk. Pursuant to certain insolvency laws, a counterparty may have the ability to reject or terminate an unsettled loan transaction. If a counterparty rejects an unsettled transaction, The Account might lose any increase in value with respect to such loan that accrued while the transaction was unsettled.

The Account may also invest in loan participations where it will be subject to certain additional risks as a result of having no direct contractual relationship with the borrower of the underlying loan. In such circumstances, The Account generally would depend on the lender to enforce its rights and obligations under the loan arrangements in the event of a default by the borrower on the underlying loan and will generally have no voting rights with respect to the issuer, as such rights are typically retained by the lender. Such investments are subject to the credit risk of the lender (as well as the borrower) since they will depend upon the lender forwarding payments of principal and interest received on the underlying loan. There can be no assurance that the lender will not default on its obligations under such arrangements, resulting in substantial losses to the Account.

From time to time, the Investment Adviser may cause the Account to acquire certain assets through participation and sub-participation arrangements with unaffiliated third parties. Such arrangements may expose the Account to additional credit risk compared to acquiring the asset directly because, in addition to the underlying credit risk of the asset, the Account is exposed to the risk of the direct participant defaulting on its obligations to the Account under the participation or sub-participation arrangement.

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Prepayment Risk. The frequency at which prepayments (including voluntary prepayments by the obligors and liquidations due to default and foreclosures) occur on loans and other debt underlying certain of the Account's investments will be affected by a variety of factors including, **but** not limited to, the prevailing level of interest rates as well as economic, demographic, tax, social, legal and other factors. In general, "premium" financial instruments *(i.e.,* financial instruments whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and "discount" financial instruments *(i.e.,* financial instruments whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since the Account's investments may include discount financial instruments when interest rates are high, and may include premium financial instruments when interest rates are low, such investments may be adversely affected by prepayments in any interest rate environment.

Agency Provisions. Agency provisions in the loans acquired by the Account may impair enforcement actions against the collateral and expose the Account to losses on the loans. The loans may consist of agented loans. Under the underlying loan agreement with respect to agented loans, the loan originator or another financial institution may be designated as the administrative agent and/or collateral agent. Under these arrangements, the borrower grants a lien to such agent on behalf of the lenders and directs payments to such agent, which, in turn, will distribute payments to the lenders, including the Account. The agent is responsible for administering and enforcing the loan and generally may take actions only in accordance with the instructions from lenders holding a specified percentage in commitments or principal amount of the loan. In the case of loans that are part of a capital structure that includes both senior and subordinated loans, the agent may take such action in accordance with the instructions of one or more senior lenders without consultation with, or any right to vote (except in certain limited circumstances) by, the subordinated lenders. The loans held by the Account may represent less than the amount sufficient to compel such actions or may represent subordinated debt which is precluded from acting and, under such circumstances, the Account would only be able to direct such actions if instructions from the Account were made in conjunction with other lenders that together comprise the requisite percentage of lenders then entitled to take or direct the agent to take action. Conversely, if the required percentage of lenders other than the Account desire to take or direct the agent to take certain actions, such actions may be taken even if the Account did not support such actions. Furthermore, if a loan held by the Account is subordinated to one or more senior loans made to the borrower, the ability of the Account to exercise such rights may be subordinated to the exercise of such rights by the senior lenders. However certain actions, such as amendments to the material payment terms of the loans, typically may not be taken without consent of all lenders, including the Account. If the loan is a syndicated revolving loan or delayed draw term loan, other lenders may fail to satisfy their full contractual funding commitments for such loan, which could create a breach of contract resulting in a lawsuit by the borrower against the lenders (including the Account even if it did not default) and adversely affect the fair market value of such loan.

There is a risk that an agent may become subject to insolvency proceedings. Such an event could delay, and possibly impair, the ability of the lenders for such agented loan to take any enforcement action against the related borrower or the collateral securing a loan and may require the lenders to take action in the agent's insolvency proceeding to realize on proceeds or payments made by borrowers that are in the possession or control of the agent.

In addition, it is expected that agented loans will allow for the agent to resign. Agented loans may or may not contain provisions for lenders to remove the agent. If an agent resigns or is removed, the lenders may be required to find, and the required percentage thereof agree to appoint, a successor agent that may be difficult to find or cost more than the predecessor agent.

Cross-collateralization. Certain of the loans may be cross-collateralized. Cross-collateralization arrangements may be subject to challenge, which could result in the subordination of the Account's interest in the collateral or the loan itself. Cross-collateralization arrangements involving more than one borrower could be challenged as fraudulent conveyances by creditors of the related borrower in an action brought outside a bankruptcy case or, if the borrower were to become a debtor in a bankruptcy case, by the borrower's representative (or the borrower as debtor-in-possession). If a court were to conclude that the granting of the liens to cross-collateralize a loan was a voidable fraudulent conveyance, such court could (a) subordinate all or part of the pertinent loan to existing or future indebtedness of that borrower, (b) recover payments made under that loan or (c) take other actions detrimental to the Account, including, under certain circumstances, invalidating the loan or the Account's interest in the collateral securing the cross-collateralized loan. Any of these actions could impair, delay or eliminate payments by the borrower of a loan that is cross-collateralized, which would adversely affect the returns expected by the Investors with respect to any such loan.

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Equitable Subordination. Under common law principles that in some cases form the basis for lender liability claims, if a lender (a) intentionally takes an action that results in the undercapitalization of a borrower or issuer to the detriment of other creditors of such borrower or issuer, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (d) uses its influence as a stockholder to dominate or control a borrower or issuer to the detriment of other creditors of such borrower or issuer, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called "equitable subordination"). The Account does not intend to engage in conduct that would form the basis for a successful cause of action based upon the equitable subordination doctrine; however, because of the nature of the debt obligations, the Account may be subject to claims from creditors of an obligor that debt obligations of such obligor which are held by the issuer should be equitably subordinated.

Risks of Acquiring Real Estate Loans and Participations. Real estate loans acquired by the Account may be at the time of their acquisition, or may become after their acquisition, nonperforming for a wide variety of reasons. Such nonperforming real estate loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial writedown of the principal of such loan. However, even if a restructuring were successfully accomplished, a risk exists that, upon maturity of such real estate loan, replacement "takeout" financing may not be available. Purchases of participations in real estate loans raise many of the same risks as investments in real estate and also carry risks of illiquidity and lack of control. It is possible that Arena may find it necessary or desirable to foreclose on collateral securing one or more real

estate loans purchased by the Account. The foreclosure process varies jurisdiction by jurisdiction and can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims, and defenses, even when the assertions may have no basis in fact, in an effort to prolong the foreclosure process. In some states or other jurisdictions, foreclosure actions can take up to several years or more to conclude. During the foreclosure proceeding, a borrower may have the ability to file for bankruptcy, potentially staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property.

Investments in Loans Secured by Real Estate. The Account may invest in loans secured by real estate (other than mortgage-backed securities) and may, as a result of default, foreclosure or otherwise, hold real estate assets. Special risks associated with such investments include change in the general economic climate or local conditions (such as an oversupply of space or a reduction in demand for space), competition based on rental rates, attractiveness and location of the properties, changes in the financial condition of tenants and changes in operating costs. Real estate values are also affected by such factors as governmental regulations (including those governing usage, improvements, zoning and taxes), interest rate levels, the availability of financing and potential liability under changing environmental and other laws. Of particular concern may be those mortgaged properties which are, or have been the site if manufacturing, industrial or disposal activities. Such environmental risks may give rise to a diminution in the value of property (including real property securing any portfolio investment) or liability for cleanup costs or other remedial actions, which liability could exceed the value of such property or the principal balance of the related portfolio investment. In certain circumstances, a lender may choose not to foreclose on contaminated property rather than risk incurring liability for remedial actions.

Non-Performing Nature of Loans. It is possible that certain of the loans purchased by the Account may be non-performing which may involve workout negotiations, restructuring and the possibility of foreclosure. These processes can be lengthy and expensive. Many of the NPLs will have been underwritten to "subprime," "Alternative A-Paper" or "expanded" underwriting guidelines. These underwriting guidelines are different from and, in certain respects, less stringent than the other general underwriting standards employed by originators. For example, these loans may have been originated to borrowers that have poor credit or that provide limited or no documentation in connection with the underwriting of the mortgage loan. Such loans present increased risk standards of delinquency, foreclosure, bankruptcy and loss than prime mortgage loans. An originator generally originates mortgage loans in accordance with underwriting guidelines it has established and, in certain cases, based on exceptions to those guidelines. These guidelines may not identify or appropriately assess the risk that the interest and principal payments due on a mortgage loan will be repaid when due, or at all, or whether the value of the mortgaged property will be sufficient to otherwise provide for recovery of such amounts. To the extent exceptions were made to an originator's underwriting guidelines in originating an NPL, those exceptions may increase the risk that principal and interest amounts may not be received or recovered and compensating factors, if any, which may have been the premise for making an exception to the underwriting guidelines may not in fact compensate for any additional risk.

Investments in Secured Loans. The assets of the portfolio of the Account will include secured debt, which involve various degrees of risk of a loss of capital. The factors affecting an issuer's secured leveraged loans, and its overall capital structure, are complex. Some secured loans may not necessarily have priority over all other debt of an issuer. For example, some secured loans may permit other secured obligations (such as overdrafts, swaps or other derivatives made available by members of the syndicate to the company), or involve secured loans only on specified assets of an issuer *(e.g.,* excluding real estate). Issuers of secured loans may have two tranches of secured debt outstanding each with secured debt on separate collateral. Furthermore, the liens referred to herein generally only cover domestic assets and non-U.S. assets are not included (other than, for example, where a borrower pledges a portion of the stock of first-tier non-U.S. subsidiaries). In the event of Chapter 11 filing by an issuer, the Bankruptcy Reform Act of 1978, as amended (the "Bankruptcy Code") authorizes the issuer to use a creditor's collateral and to obtain additional credit by grant of a priority lien on its property, senior even to liens that were first in priority prior to the filing, as long as the issuer provides what the presiding bankruptcy judge considers to be "adequate protection" which may but need not always consist of the grant of replacement or additional liens or the making of cash payments to the affected secured creditor. The imposition of priority liens on the Account's collateral would adversely affect the priority of the liens and claims held by the Account and could adversely affect the Account's recovery on the affected loans. Any secured debt is secured only to the extent of its lien and only to the extent of underlying assets or incremental proceeds on already secured assets. Moreover, underlying assets are subject to credit, liquidity, and interest rate risk.

Certain Risks Associated with Investments in Residential Mortgage Loans and RMBS.

Market Disruptions and Distress. The residential mortgage market in the United States and elsewhere has, at certain times, experienced disruption and instability. Such disruptions may occur even during periods of broader economic recovery. Declines in the value of mortgaged properties may result in increases in delinquencies and losses on residential mortgage loans generally.

Residential mortgage loans (including the mortgage loans underlying an issue of RMBS) held by the Account are likely to include "non-traditional" mortgage loans, such as adjustable rate mortgage loans (or "ARMS") — *i.e.,* mortgage loans that offer relatively low monthly payments during the initial years of the loan that increase (often significantly) in later years — or mortgage loans that require large "balloon" payments at specified times (unlike traditional, "self-amortizing" mortgage loans). Many borrowers enter into non-traditional mortgage loans with the hope that they will be able to refinance, or resell the underlying property, before the increased interest payments or balloon payments become due. Stress in the real estate markets, including declines in housing prices may, however, make these refinancings or resales commercially unfeasible or impossible. This, in turn, may contribute to higher delinquency rates and losses on mortgage loans (and mortgage loans underlying RMBS) held by the Account, which would adversely affect the Account's performance.

Under current market conditions, it is likely that many of the residential mortgage loans purchased by the Account will have loan-to-value ratios in excess of 100%, meaning that the amount owed on the mortgage loan exceeds the value of the underlying real property. Further, the borrowers on these mortgage loans may be in economic distress and/or may have become unemployed, bankrupt or otherwise unable or unwilling to make payments when due. Even though it is anticipated that the Account will pay less than the amount owed on these mortgage loans to acquire them, if actual results are different from the Account's assumptions in determining the price for these mortgage loans, then the Account may incur significant losses.

In connection with the disposition of mortgage loans, the Account may be required to make representations about the mortgage loans, including with respect to matters that the Account may be unable to diligence. Such transactions may also require the Account to indemnify the purchaser to the extent that any such representations turned out to be incorrect, incomplete or misleading. These arrangements may result in contingent liabilities, which ultimately may be paid by the Account.

Applicable Law and Regulations. State and federal laws, public policy and general principles of equity relating to the protection of consumers, abusive debt collection practices, and unfair, discriminatory and deceptive practices generally may apply to the origination, servicing and collection of the Account's residential mortgage loans and residential mortgage loans backing the Account's RMBS. Violations of these laws, policies and principles (including violations that occurred period to the Account's ownership of the relevant asset) may limit the ability of the Account (or, as applicable, the issuer of RMBS) to collect all or part of the principal of or interest on the mortgage loans, may entitle a borrower to a refund of amounts previously paid, and could subject the owner of a mortgage loan to damages and administrative enforcement.

Numerous laws, regulations and rules related to the servicing of mortgage loans, including in respect of foreclosure actions, have been enacted and/or proposed by federal, state and local governmental authorities, including the newly formed Consumer Financial Protection Bureau created under the Reform Act. Such laws, regulations and rules may delay foreclosure processes, reduce payments by borrowers or increase reimbursable servicing expenses, which in turn would likely result in delays and reductions in the distributions to be made to the Account as the owners of residential mortgage loans or as an investor in RMBS and/or collateralized debt obligations backed by RMBS. In addition, the rate of foreclosures of properties backing subprime loans in certain states may prompt legislators, regulators and attorneys general in those states to try to prevent certain foreclosures and bring lawsuits against participants in the financing of subprime loans in their states, including issuers of RMBS backed by such loans and investors in those RMBS, including the Account. The Account and other similarly-situated investors will bear the risk that future regulatory developments will result in losses on their investments, whether due to delayed or reduced distributions or reduced market value.

Risks Associated with Servicers and Third Party Service Providers. Mortgage loans owned by the Account are serviced by one or more third party servicers. As mentioned directly above, mortgage servicers are subject to numerous laws, regulations and rules. The Account may not be able to successfully detect and prevent violations of such laws or, more generally, fraud or incompetence by such third parties, which could expose the Account to material liability. Terminating a mortgage servicer is a cumbersome process, which could result in delays in realizing the Account's investment strategies, thereby adversely affecting returns.

Whether relating to the Account's investments in mortgage loans or RMBS, the relevant servicer generally is required to make advances in respect of delinquent mortgage loans. However, servicers experiencing financial difficulties may not be able to perform these obligations. Servicers who have sought bankruptcy protection may, due to application of the provisions of bankruptcy law, not be required to advance such amounts. Even if a servicer were able to advance amounts in respect of delinquent mortgage loans, its obligation to make such advances may be limited to the extent that it does not expect to recover such advances due to the deteriorating credit of the delinquent mortgage loans. In addition, a servicer's obligation to make such advances may be limited to the amount of its servicing fee.

Additional third parties will be retained to provide services in respect of the Account's mortgage loan investments, which services may include those relating to evaluating loss mitigation strategies, assisting with valuation of underlying properties, assisting with foreclosures or general management of the loans. The Account's investments could be negatively affected by the actions taken, or advice given, by such third parties.

On January 10, 2014, a set of new rules issued by the U.S. Consumer Financial Protection Bureau went into effect. These new rules require mortgage servicers to (i) warn borrowers before any interest rate adjustments on their mortgage loans and provide alternatives for borrowers to consider, (ii) provide monthly mortgage statements that explicitly breakdown principal, interest, fees, escrow and due dates, (iii) provide options for avoiding lender-placed, or "force-placed" insurance, (iv) provide early outreach to borrowers in danger of default regarding options to avoid foreclosure, (v) provide that payments be credited to borrower accounts the day they are received, (vi) require borrower account records be kept current, (vii) provide increased accessibility to servicing staff and records for borrowers and (viii) investigate errors within 30 days and improve staff accessibility to consumers, among other things. The new rules may cause servicers, including the Account's servicer, to modify their servicing processes and procedures and to incur additional costs in connection therewith.

Violation of Various Federal, State and Local Laws May Result in Losses on Residential Mortgage Loans. Numerous federal and state consumer protection laws impose substantive requirements upon residential mortgage lenders in connection with the origination, servicing and enforcement of mortgage loans. There has been significant attention from state and federal banking regulatory agencies, state attorneys general, the U.S. Federal Trade Commission, the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, the U.S. Consumer Financial Protection Bureau and state and local governmental authorities regarding certain lending practices by some companies in the subprime industry, sometimes referred to as "predatory lending" practices. Sanctions have been imposed by state, local and federal governmental agencies for practices including, but not limited to, charging borrowers excessive fees, imposing higher interest rates than the borrower's credit risk warrants and failing to adequately disclose the material terms of loans to the borrowers. Sanctions could adversely affect the value of any investment by the Account in a mortgage loan.

Applicable state and local laws generally regulate interest rates and other charges, require certain disclosure, impact closing practices, and require licensing of originators. In addition, other state and local laws, public policy and general principles of equity relating to the protection of consumers, unfair and deceptive practices and debt collection practices may apply to the origination, ownership, servicing and collection of such residential mortgage loans. Such laws can increase the costs of compliance in connection with such investments and ultimately undermine the profitability of such investments.

Certain Risks Associated with Investments in CMBS. The underlying commercial mortgage loans in an issue of CMBS held by the Account will be backed by obligations (including participation interests in obligations) that are principally secured by mortgage loans on real property (or interests therein) having a multifamily or commercial use, including regional malls or other retail space, office buildings, industrial or warehouse properties, hotels, apartments, cooperatives, nursing homes and senior living centers. Commercial mortgage loans are generally nonrecourse loans, lack standardized terms, tend to have shorter maturities than residential mortgage loans and may provide for the payment of all or substantially all of the principal only at maturity. Commercial properties also tend to be unique and are more difficult to value than single-family residential properties. The types of property securing commercial mortgage loans, and the ways that those properties are used, can also create special risks. For instance, commercial properties that operate as hospitals and nursing homes may present special risks to lenders due to the significant governmental regulation of the ownership, operation, maintenance and financing of health care institutions. Hotel and motel properties are often operated pursuant to franchise, management or operating agreements which may be terminable by the franchisor or operator, and may be subject to complex local licensing requirements.

The repayment of loans secured by income-producing commercial properties is typically dependent on the successful operation of those properties rather than upon the liquidation value of the underlying real estate or the existence of independent income or assets of the borrower. The net operating income from commercial properties is subject to volatility, however, and may not be sufficient to cover debt service on the related mortgage loan at any given time. Furthermore, the net operating income from, and value of, any commercial property may be adversely affected by risks generally incidental to interests in real property, including events that the borrower or manager of the property, or the issuer or servicer of the related issuance of CMBS, may be unable to predict or control, such as changes in general or local economic conditions and specific industry segments; declines in real estate values; declines in rental or occupancy rates; increases in interest rates, real estate tax rates and other operating expenses; changes in governmental rules, regulations and fiscal policies; natural disasters; acts of war; acts of terrorism; and social unrest and civil disturbances. The value of commercial real estate is also subject to a number of laws, such as laws regarding environmental clean-up and limitations on remedies imposed by bankruptcy laws and state laws regarding foreclosures and rights of redemption.

Mortgage loans underlying a CMBS issue may lack regular amortization of principal, resulting in a single "balloon" payment due at maturity. If the underlying mortgage borrower experiences business problems, or other factors limit refinancing alternatives, these balloon payment mortgage loans are likely to experience payment delays or even default. In addition, the mortgage loans underlying a CMBS issue may lack diversification and may relate to a single loan or a limited number of loans.

Peer-to-Peer Lending. Peer-to-peer lending allows individuals and increasingly, institutional investors, to lend money to others via an online platform. The borrowers on such platforms are a wide range of individuals and businesses, and the Account's ability to assess their creditworthiness may be limited. While lending on a peer-to-peer platform can generate high returns, it is subject to many risks, including the risk that the Account could lose its entire investment if a borrower defaults or if the lending and/or loan servicing platform itself ceases operations. In the event of a default, certain lending platforms offer lenders almost no chance of recovery. In addition, peer-to-peer loans are relatively illiquid investments. In many cases it is difficult or impossible for the lender to get its money back before a loan matures, even absent a default.

Nature of Bankruptcy Proceedings. There are a number of significant risks when investing in companies involved, or which may have been involved, in bankruptcy proceedings, including the following: First, many events in a bankruptcy are the product of contested matters and adversary proceedings which are beyond the control of the creditors. Second, a bankruptcy filing may have adverse and permanent effects on a company. For instance, the company may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. Further, if the proceeding is converted to a liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment. Third, the duration of a bankruptcy proceeding is difficult to predict. A creditor's return on investment can be impacted adversely by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court, and until it ultimately becomes effective. Fourth, certain claims, such as claims for taxes, wages and certain trade claims, may have priority by law over the claims of certain creditors. Fifth, the administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors. Sixth, creditors can lose their ranking and priority in a variety of circumstances, including if they exercise "domination and control" over a debtor and other creditors can demonstrate that they have been harmed by such actions. Seventh, investors in the company may be subject to a court-imposed "cram down" in which they lose their seniority in the capital and security interest structure. Eighth, the Account may seek representation on creditors' committees and as a member of a creditors' committee it may owe certain obligations generally to all similarly situated creditors that the committee represents and may be exposed to liability to such other creditors who disagree with the Account's actions. There can be no assurance that the Account would be successful in obtaining results most favorable to it in such proceedings, although the Account may incur significant legal fees and other expenses in attempting to do so. The Account may also be subject to various trading or confidentiality restrictions. In addition, the Account and some of the Investment Adviser's other clients may potentially hold conflicting positions in relation to investments in companies involved in bankruptcy proceedings.

Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing, and the classification, seniority and treatment of claims.

Short Sales. The Account may make short sales in any type of securities for profit in anticipation of a change in the market price of a financial instrument or as a hedge against other positions held by the Account. Short sales that are not made "against the box" and are not part of a hedging transaction create opportunities to increase return but, at the same time, are speculative and involve special risk considerations. Since the seller in effect profits from a decline in the price of the securities sold short without the need to invest the full purchase price of the securities on the date of the short sale, returns tend to increase more when the securities sold short decrease in value, and to decrease more when the securities sold short increase in value, than would otherwise be the case if the seller had not engaged in such short sales. Short sales theoretically involve unlimited loss potential, as the market price of securities sold short may continuously increase, although the Account may mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions, the Account might have difficulty purchasing securities to meet its short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet its short sale obligations at a time when fundamental investment considerations would not favor such sales.

As a result of the financial disruptions which began in the second half of 2008, it appears likely that there may be significant additional restrictions imposed on short-selling (at least of certain issuers' securities).

Hedging Transactions. Hedging techniques involve one or more of the following risks: (i) imperfect correlation between the performance and value of the instrument and the value of the Account securities or other objective of the Investment Adviser; (ii) possible lack of a secondary market for closing out a position in such instrument; (iii) losses resulting from interest rate, spread or other market movements not anticipated by the Investment Adviser; (iv) the possible obligation to meet additional margin or other payment requirements, all of which could worsen the Account's position; and (v) default or refusal to perform on the part of the counterparty with which the Account trades. Furthermore, to the extent that any hedging strategy involves the use of over-the-counter ("OTC") derivatives transactions, such a strategy would be affected by implementation of the various regulations adopted pursuant to the Reform Act.

The Investment Adviser will not attempt to hedge all market or other risks inherent in the Account's positions, and will hedge certain risks, if at all, only partially. Specifically, the Investment Adviser may choose not, or may determine that it is economically unattractive, to hedge certain risks —either in respect of particular positions or in respect of the Account's overall portfolio. The Account's portfolio composition will commonly result in various directional market risks remaining unhedged. The Investment Adviser may rely on diversification to control such risks to the extent that the Investment Adviser believes it is desirable to do so; however, the Account is not subject to formal diversification policies.

The ability of the Account to hedge successfully will depend on the ability of the Investment Adviser to predict relevant market movements, which cannot be assured. The Investment Adviser is not required to hedge and there can be no assurance that hedging transactions will be available or, even if undertaken, will be effective. In addition, it is not possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-United States currencies because the value of those securities is likely to fluctuate as a result of independent factors not related to currency fluctuations. Moreover, it should be noted that the portfolio will always be exposed to certain risks that cannot be hedged, such as counterparty credit risk. Furthermore, by hedging a particular position, any potential gain from an increase in the value of such position may be limited.

Credit Default Swaps. The Account may invest in credit default swaps. A credit default swap is a contract between two parties which transfers the risk of loss if a company fails to pay principal or interest on time or files for bankruptcy. Credit default swaps can be used to hedge a portion of the default risk on a single corporate bond or a portfolio of bonds. In addition, credit default swaps can be used to implement the General Partner's view that a particular credit, or group of credits, will experience credit improvement. The credit default swap market in high yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment grade securities. Swap transactions dependent upon credit events are priced incorporating many variables including the pricing and volatility of the common stock, and potential loss upon default, among other factors. As such, there are many factors upon which market participants may have divergent views.

Because the master and credit support agreements for over-the-counter swap transactions are individually negotiated with a specific counterparty, there exists the risk that the parties may interpret contractual terms (e.g., the definition of default) differently when the Account seeks to enforce its contractual rights. If that occurs, the Account may be forced to seek to enforce its contractual rights through legal proceedings, which may be costly and time consuming.

Collateralized Debt Obligations ("CDOs"). The Account may invest in CDOs and CLOs. The portfolio may consist of CLO equity, multi-sector CDO equity, trust preferred CDO equity and CLO mezzanine debt. CDOs are subject to credit, liquidity and interest rate risks. The CDO equity purchased by the Account will most likely be unrated or non-investment grade, which means that a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the related issuer or obligor to make payments of principal or interest. Such investments may be speculative. In addition, as a holder of CDO equity, the Account will have limited remedies available upon the default of the CDO. In the recent past, the market for CDOs has become highly illiquid resulting in severe declines of the prices of such instruments.

Lending Against Equipment. In a loan against equipment transaction, also known as a sale leaseback, equipment is sold on paper by the seller and leased back. The seller obtains working capital and keeps the equipment on their property. As with equipment leasing, there are considerable costs associated with terminating such loans and retrieving hard assets if a borrower fails to make timely payments on the loan. Further, the value of the subject equipment will decline over time as a result of use by the borrower, reducing the value of the collateral backing the loan and increasing the risk that the Account will lose money in the event of borrower default. The Account may also engage in equipment leasing, which may expose the Investors to considerable risk. In cases of a non-performing lessee, there are considerable costs associated with terminating leases and retrieving hard assets that can disrupt and reduce cash flow. These risks may be exacerbated in the case of lessee bankruptcy. Further, it may be difficult to re-lease or sell retrieved equipment, depending on market conditions, especially if such equipment is outdated or has been misused.

Currency and Foreign Risks. The Account may, from time to time, invest in non-dollar denominated debt instruments or in securities of companies domiciled or operating outside of the United States. While this is not expected to be a significant portion of the Account's activities, investing in these securities involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in the United States, including instability of some governments, capital controls, the possibility of expropriation, limitations on the use or removal of funds or other assets, changes in governmental administration or economic or monetary policy (in the United States or abroad) or changed circumstances in dealings between nations. The application of tax laws applicable outside the United States *(e.g.,* the imposition of withholding taxes on interest and dividend payments, income taxes and excise taxes) or confiscatory taxation may also affect the Account's investments. Moreover, less information may be publicly available concerning certain of the foreign issuers of securities held by the Account than is available concerning United States companies. The Account may incur higher expenses with respect to investments made outside the United States compared to investing in U.S. securities because of the costs incurred in connection with conversions between various currencies and the fact that brokerage commissions outside the United States may be higher than commissions in the United States. Non-United States markets also may be less liquid, more volatile and less subject to governmental supervision than in the United States.

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Recent Developments in Europe. Global markets have experienced upheaval and above-average volatility due to developments in Europe that have raised doubts about the ability of certain European countries to meet their sovereign debt obligations, including the recent failure of Greece to pay interest on a portion of its outstanding bonds. The fallout from such developments could have a significant impact on the stability and credit ratings of various European countries and financial institutions with exposure to European sovereign debt, and even the continued viability of the European Union and the Euro currency. There can be no assurance that the Investment Adviser will accurately predict or adequately prepare for the impact of such developments, and therefore they may have a materially negative effect on the Account's investments, particularly those made in European entities or denominated in the Euro currency.

Mezzanine Debt Securities. Mezzanine debt securities are generally unrated or below investment grade rated investments that have greater credit and liquidity risk than more highly rated debt obligations. Mezzanine debt securities are typically issued in traditional private placements or in connection with acquisitions and other business combinations and have no trading market. Moreover, mezzanine debt securities are generally unsecured and subordinate to other obligations of the obligor and are subject to many of the same risks as those associated with high yield debt securities. Adverse changes in the financial condition of the obligor of mezzanine debt securities or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings) or both may impair the ability of the obligor to make payment of principal and interest. Issuers of mezzanine debt securities may be highly leveraged, and their relatively high debt to equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations.

Litigation Claims. The Account may purchase anticipated future payments to be received as the result of favorably determined litigation or mass tort claims. The results of pending litigation are inherently uncertain. Purchasing or lending against pending litigation entails unique risks because there is no guarantee that the relevant litigation will be favorably determined, and consequently that the Account's investment objective will be achieved. If the relevant litigation is determined (in a court or in an out-of-court settlement) in a manner that is adverse to the Account's interest, the Account may lose some or all of its investment.

Aviation Investments. Airline business and results of operations are significantly impacted by general economic and industry conditions. The airline industry is highly cyclical, and the level of demand for air travel is correlated to the strength of the U.S. and global economies. Robust demand for air transportation services depends on favorable economic conditions, including the strength of the domestic and foreign economies, low unemployment levels, strong consumer confidence levels and the availability of consumer and business credit. In addition, airlines are subject to extensive regulatory oversight. Compliance with U.S. and international regulations imposes significant costs and may have adverse effects on an airline.

In addition to factors linked to the aviation industry, other factors that may affect the value of an aircraft at any time include: (i) the particular maintenance and operating history of the related airframe and engines; (ii) manufacture and type or model of aircraft or engines, including the number of operators using such type or model; (iii) whether the aircraft is subject to a lease and, if so, whether the lease terms are favorable to the lessor; (iv) the age of the aircraft; (v) the advent of newer models of such aircraft or aircraft types competing with such aircraft; (vi) any tax, customs, regulatory and legal requirements that must be satisfied when an aircraft is purchased, sold or re-leased; (vii) compatibility of aircraft configurations or specifications with other aircraft operated by operators of that type of aircraft; (viii) regulatory actions, including mandatory grounding of the aircraft; (ix) any renegotiation of a lease on less favorable terms; (x) decreases in creditworthiness of lessees; and (xi) the availability of spare parts. Any decrease in values of and lease rates for used commercial aircraft which may result from the above factors or other unanticipated factors may have a material adverse effect on the Account's investments.

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Shipping Investments. The maritime shipping industry is both cyclical and volatile in terms of charter rates and profitability. A worsening of the current global economic conditions may adversely affect the Account's ability to charter or recharter its vessels or to sell them on the expiration or termination of their charters and the rates payable in respect of its currently operating vessels, or any renewal or replacement charters that the Account enters into may not be sufficient to allow it to operate its vessels profitably. Fluctuations in charter rates and vessel values result from changes in the supply and demand for vessel capacity and changes in the supply and demand for the products that such vessels carry. The factors affecting the supply and demand for vessels are outside of the Account's control, and the nature, timing and degree of changes in industry conditions are unpredictable.

Trade Claims. The Account may purchase trade claims, often in connection with the restructuring or bankruptcy of a debtor company over which the Account is trying to exercise influence. The Account might also acquire trade claims as a means of obtaining control over a debtor that is in the process of emerging from Chapter 11, with an intent to push for a Chapter **11** plan that converts debt to equity or to block acceptance of any Chapter **11** plan it opposes. By purchasing trade claims in connection with a bankrupt company, the Account could use this leverage to negotiate a more favorable Chapter 11 plan. Alternatively, the Account could retain the claim, anticipating that the present value of any distribution at the conclusion of the case will exceed the purchase price. Although trade claims may result in significant returns to the Account, they involve a substantial degree of risk. In order to make successful decisions regarding the objective in connection with the acquisition of trade claims, the level of analytical sophistication, both financial and legal, necessary to such decision-making is unusually high. In addition, if the Account has acquired trade claims with the objective of exercising influence over a distressed company or in a bankruptcy action, the expected timing can only be estimated and there may be significant delays which may affect the returns on such trade claim investments for the Account.

Interest Rate Fluctuations. The prices of portfolio investments can be sensitive to interest rate fluctuations, and unexpected fluctuations in interest rates could cause the corresponding prices of a position to move in directions which were not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs to the Account of borrowed securities and leveraged investments.

Contrarian Investing. The Investment Adviser believes the price of certain securities may become depressed to the point that the Investment Adviser believes that such securities have lower downside risk than other investors may perceive *(i.e.,* an investment will generally be made only if it is believed that the current market price is less than the intrinsic value of the security, based on assumptions as to asset values, total liabilities or claims, timing and the rate of return on the investment), and the Account has made or will make certain investments in such securities. Because of the substantial uncertainty concerning the outcome of transactions involving financially troubled companies undergoing fundamental changes, there is always the potential risk of a substantial loss.

Emerging Markets. The Account may trade in emerging markets. These markets tend to be inefficient and illiquid as well as subject to political and other factors which do not typically affect more developed economies. The Account may sustain losses as a result of market inefficiencies or interference in emerging markets which would not take place in more developed markets.

Correlation Risk. The Account will tend to have a bias toward investments in which the Investment Adviser believes prices should ultimately hinge more on discrete, credit-specific events than the direction of the broader markets. However, in certain market environments (particularly those characterized by widespread perceptions of systemic risk), risk asset prices can display abnormal levels of correlation. The Account's returns could be adversely affected in scenarios like this, in which fundamental valuation metrics tend to be overwhelmed by other factors.

Risk Arbitrage. Special risks are associated with the use of risk arbitrage, or "merger arbitrage," techniques. In addition to general risks of market behavior and currency fluctuations, merger arbitrage is subject to "deal risk" — the risk of non-consummation of the transaction. A number of factors may lead to deal collapse or delay, such as either party's inability to satisfy conditions to closing, failure to obtain shareholder approval, failure to meet regulatory or antitrust requirements, failure to obtain required financing, or other events that may change the target's or the acquirer's willingness to consummate the transaction.

***Leverage* of Portfolio Companies.** The Account's investments may include securities of companies with leveraged capital structures, which could be subject to increased exposure to adverse economic factors such as an increase in interest rates, a downturn in the economy or further deterioration in the economic conditions of such company or its industry. Similarly, the Account may invest in entities that are unable to generate sufficient cash flow to meet principal and interest payments on their indebtedness. Accordingly, the value of the Account's investment in such an entity could be significantly reduced or even eliminated due to further credit deterioration.

Uncertain Exit Strategies; Duration of Investment Positions. The Investment Adviser typically does not know the maximum — or, often, even the expected — duration of any particular investment at the time of initiation. Due to the illiquid nature of some of the investments that the Account expects to make, the Investment Adviser is unable to predict with confidence what, if any, exit strategy for a given investment will ultimately be available for the Account. Exit strategies that appear to be viable at certain times during the life cycle of an investment may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors. The larger the transaction in which the Account is participating, the more uncertain the Account's exit strategy tends to become. The length of time for which a position is maintained may vary significantly, based on Arena's subjective judgment of the appropriate point at which to liquidate a position so as to augment gains or reduce losses. Many of the Account's transactions may involve acquiring related positions in a variety of different instruments or markets at or about the same time. Frequently, optimizing the probability of being able to exploit the pricing anomalies among these positions requires holding periods of significant length—sometimes many months to a year or more. Actual holding periods depend on numerous market factors which can both expedite and disrupt price convergences. There can be no assurance that the Account will be able to maintain any particular position, or group of related positions, for the duration required to realize the expected gains, or avoid losses, from such positions.

Expedited Transactions. Investment analyses and decisions by the Investment Adviser may be undertaken on an expedited basis in order to make it possible for the Account to take advantage of short-lived investment opportunities. In such cases, the available information at the time of an investment decision may be limited, inaccurate and/or incomplete. Furthermore, the Investment Adviser is unlikely to have sufficient time to fully evaluate information which is available. There is a significantly increased risk of making poor investments when they are made on an expedited basis.

Inability to Participate in Certain Investments. The Investment Adviser has numerous business commitments and relationships worldwide. As a result of these commitments and relationships, there may be situations in which the Investment Adviser would otherwise take a control position in an issuer, or a position adverse to the management of an issuer, but will be prevented from doing so due to other holdings.

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Derivatives Risks

Derivatives. The Account may use various derivative instruments, such as options, futures, forwards, commodities, swaps and swaptions (including interest rate and credit default swaps). The use of derivative instruments involves a variety of material risks, including the extremely high degree of leverage sometimes embedded in such instruments. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order either to realize gains or to limit losses. The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, resulting in unexpected losses.

Use of derivatives and other techniques such as short sales for hedging purposes involves certain additional risks, including (i) dependence on the ability to predict movements in the price of the securities hedged; (ii) imperfect correlation between movements in the securities on which the derivative is based and movements in the assets of the underlying portfolio; and (iii) possible impediments to effective portfolio management or the ability to meet short-term obligations because of the percentage of a portfolio's assets segregated to cover its obligations. In addition, by hedging a particular position, any potential gain from an increase in the value of such position may be limited.

Swap Agreements. The Account from time to time enters into various swap agreements ("Swaps") as part of its investment program. A Swap is an individually negotiated, non-standardized agreement between two parties to exchange cash flows (and sometimes principal amounts) measured by different interest rates, commodity prices, exchange rates, indices or prices, with payments generally calculated by reference to a principal ("notional") amount or quantity. Swaps and similar derivative contracts are not currently traded on exchanges; rather, banks and dealers act as principals in these markets. As a result, the Account is subject to the risk of the inability or refusal to perform with respect to such contracts on the part of the counterparties with which the Account trades. Swaps may be subject to various other types of risk, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, Swaps can involve considerable economic leverage and may, in some cases, involve significant risk of loss. Depending on their structure, Swaps may increase or decrease exposure to the corporate credit market, equity securities, long-term or short-term interest rates, foreign currency values, corporate borrowing rates or other factors. Swaps can take many different forms and are known by a variety of names. The Account is not limited to any particular form of Swap if its use is consistent with the Account's investment objectives and policies, and the Investment Adviser anticipates that the Account will invest in interest rate swaps, credit default swaps, total return swaps, variance swaps and other types of Swaps.

Depending on how they are used, Swaps may increase or decrease the overall volatility of a portfolio. The most significant factor in the performance of Swaps is the change in the specific interest rate, currency, equity index or other factors that determine the amounts of payments due to and from the Account. If a Swap calls for payments by the Account, the Account must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the value of a Swap with such counterparty can be expected to decline, potentially resulting in losses by the Account.

Credit Default Swap Agreements. The Account may invest in credit default swaps. The typical credit default swap contract requires the seller to pay to the buyer, if a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. The Account may also sell credit default swaps on a basket of reference entities as part of a synthetic collateralized debt obligation transaction.

As a buyer of credit default swaps, the Account will be subject to certain risks in addition to those described elsewhere herein. In circumstances in which the Account does not own the debt securities that are deliverable under a credit default swap, the Account will be exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called "short squeeze." While the credit default swap market auction protocols reduce this risk, it is still possible that an auction will not be organized or will not be successful. In certain instances of issuer defaults or restructurings (for those credit default swaps for which restructuring is specified as a credit event), it has been unclear under the standard industry documentation for credit default swaps whether or not a "credit event" triggering the seller's payment obligation had occurred. The creation of the ISDA Credit Derivatives Determination Committee (the "Determination Committee") is intended to reduce this uncertainty and create uniformity across the market, although it is possible that the Determination Committee will not be able to reach a resolution or do so on a timely basis. In either of these cases, the Account would not be able to realize the full value of the credit default swap upon a default by the reference entity.

As a seller of credit default swaps, the Account will incur leveraged exposure to the credit of the reference entity and become subject to many of the same risks it would incur if it were holding debt securities issued by the reference entity. However, the Account will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity's debt obligations. In addition, the credit default swap buyer will have broad discretion to select which of the reference entity's debt obligations to deliver to the Account following a credit event and will likely choose the obligations with the lowest market value in order to maximize the payment obligations of the Account.

Counterparty risk is always present in credit default swaps. The market for credit default swaps on distressed securities is not liquid (compared to the market for credit default swaps on investment grade corporate reference entities). If current interest rate spreads over LIBOR (or over the applicable United States Treasury Benchmark) widen or the prevailing credit premiums on credit default swaps increase, the amount of a termination or assignment payment upon a termination or assignment of a transaction due from the Account to the credit default swap counterparty could increase by a substantial amount.

In addition, the proper tax treatment of credit default swaps and other derivatives may not be clear. Investors are required to treat any such derivatives for United States federal income tax purposes in the same manner as they are treated by the Account. The tax environment for derivatives is evolving and changes in the taxation of derivatives may adversely affect the value of derivatives held by the Account.

Given the recent sharp increases in volume of credit derivatives trading in the market, settlement of such contracts may also be delayed beyond the time frame originally anticipated by counterparties. Such delays may adversely impact the Account's ability to otherwise productively deploy any capital that is committed with respect to such contracts.

Certain governmental entities have indicated that they intend to regulate the market in credit default swaps. It is difficult to predict the impact of any such regulation on the Account, but it may be adverse (including making the Account ineligible to be a "seller" of credit default swaps).

Credit Default Swaps on Loans and LCDX Transactions. The Account may invest in all types of loan credit default swaps ("LCDS") and all types of LCDX transactions, a tradable index comprising 100 equally-weighted underlying single-name loan-only credit default swaps. LCDS are similar to credit default swaps on bonds, except that the underlying protection is sold on syndicated secured loans of a reference entity rather than a broader category of bonds or loans. Buyers of protection pay a fixed coupon agreed at time of trade, and receive compensation on the principal if the entity named on the contract defaults on its secured debt. The compensation will be par minus recovery either via the protection seller paying par in return for gaining possession of the loan or via cash settlement. Loan credit default swaps may be on single names or on baskets of loans, both tranched and untranched.

The Account may also invest in LCDX, which is the buying or selling of protection on 100 names that comprise the LCDX portfolio *(i.e.,* the buying and selling of 100 single-name LCDS). Buying and selling the LCDX can be compared to buying and selling a loan portfolio. When the index is bought, the buyer is taking on the credit exposure to the loans, and is exposed to defaults similar to when a loan portfolio is bought. if the index is sold, this exposure is passed on to someone else. The index has a fixed coupon, which is paid when the index is sold, or received if the index is bought. The credit events that generally trigger a payout from the buyer (protection seller) of the index are bankruptcy or failure to pay a scheduled payment on any debt (after a grace period), for any of the constituents of the index. Credit events can be settled by physical or cash settlement. Physical settlement entails delivering the loan and receiving par. The protection seller who took delivery of the loan holds the defaulted asset. Although this method is the traditional method of settlement, there are risks that the notional amounts of the outstanding loans is less than the LCDS outstanding and that the LCDX counterparty will be able to take receipt of the loans.

Total Return Swaps. The Account from time to time may invest in total return swaps. As a buyer of total return swaps, the Account will be obligated to make certain periodic payments in exchange for the total return on a referenced asset, including coupons, interest and the gain or loss on such asset over the term of the swap. The Account may be required to maintain collateral with the total return swap counterparty. If the Account fails to fulfill its payment obligations or fails to post any required collateral under a total return swap, the total return swap counterparty may declare an event of default and, as a result, the Account may be required to pay swap breakage fees, suffer the loss of the amounts paid to the counterparty and forego the receipts from the counterparty of further total return swap payments.

Over-the-Counter Derivatives Markets. The Reform Act, enacted in July 2010, includes provisions that comprehensively regulate the OTC derivatives markets for the first time. The Reform Act will ultimately mandate that a substantial portion of OTC derivatives must be executed in regulated markets and be submitted for clearing to regulated clearinghouses. OTC trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearinghouse, as well as possible SEC- or CFTC-mandated margin requirements. OTC derivatives dealers typically demand the unilateral ability to increase the Account's collateral requirements for cleared OTC trades beyond any regulatory and clearinghouse minimums. The regulators also have broad discretion to impose margin requirements on non-cleared OTC derivatives and new requirements will apply to the holding of customer collateral by OTC derivatives dealers. These requirements may increase the amount of collateral the Account is required to provide and the costs associated with providing it. OTC derivative dealers also are required to post margin to the clearinghouses through which they clear their customers' trades instead of using such margin in their operations, as was widely permitted before the Reform Act. This has and will continue to increase the OTC derivative dealers' costs, and these increased costs are generally passed through to other market participants in the form of higher upfront and mark-to-market margin, less favorable trade pricing, and the imposition of new or increased fees, including clearing account maintenance fees.

With respect to cleared OTC derivatives, the Account will not face a clearinghouse directly but rather through an OTC derivatives dealer that is registered with the CFTC or SEC to act as a clearing member. The Account may face the indirect risk of the failure of another clearing member customer to meet its obligations to its clearing member. Such scenario could arise due to a default by the clearing member on its obligations to the clearinghouse, triggered by a customer's failure to meet its obligations to the clearing member.

The SEC and CFTC will also require a substantial portion of derivative transactions that are currently executed on a bi-lateral basis in the OTC markets to be executed through a regulated securities, futures, or swap exchange or execution facility. Certain CFTC-regulated derivatives trades became subject to these rules starting in 2014. It is not yet clear when the parallel SEC requirements will go into effect. Such requirements may make it more difficult and costly for investment funds, including the Account, to enter into highly tailored or customized transactions. They may also render certain strategies in which the Account might otherwise engage impossible or so costly that they will no longer be economical to implement. If the Account decides to become a direct member of one or more of these exchanges or execution facilities, the Account would be subject to all of the rules of the exchange or execution facility, which would bring additional risks and liabilities, and potential additional regulatory requirements.

OTC derivative dealers are now required to register with the CFTC and will ultimately be required to register with the SEC. Dealers are subject to new minimum capital and margin requirements, business conduct standards, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, position limits, limitations on conflicts of interest, and other regulatory burdens. These requirements further increase the overall costs for OTC derivative dealers, which costs may be passed along to market participants as market changes continue to be implemented. The overall impact of the Reform Act on the Account remains highly uncertain and it is unclear how the OTC derivatives markets will adapt to this new regulatory regime, along with additional, sometimes overlapping, regulatory requirements imposed by non-U.S. regulators.

Convertible Securities, Rights and Warrants. The Account may invest in hybrid securities that may be exchanged for, converted into or exercised to acquire a predetermined number of shares of an issuer's common stock at the option of the holder during a specified time period (such as convertible preferred stocks, convertible debentures, stock purchase rights, and warrants). Convertible securities generally pay interest or dividends and provide for participation in the appreciation of the underlying common stock but at a lower level of risk because the yield is higher and the security is senior to common stock. Convertible debt securities purchased by the Account that are acquired for their equity characteristics are not subject to minimum rating requirements.

The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The credit standing of the issuer and other factors may also affect the investment value of a convertible security. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security is increasingly influenced by its conversion value.

Convertible securities may also include warrants, often publicly traded, that give a holder the right to purchase at any time during a specified period a predetermined number of shares of common stock at a fixed price but that do not pay a fixed dividend. Their value depends primarily on the relationship of the exercise price to the current and anticipated price of the underlying securities.

Futures Trading. The Account may trade futures contracts, including stock index futures. Futures prices are highly volatile, with price movements being influenced by a multitude of factors such as changing supply and demand relationships, government trade, fiscal, monetary and exchange control programs and policies, national and international political and economic events and speculative frenzy and the emotions of the marketplace. In addition, governments from time to time intervene in certain markets, particularly currency and interest-rate markets.

The low margin deposits normally required in futures trading permit an extremely high degree of leverage; margin requirements for futures trading being in some cases as little as 2% of the face value of the contracts traded. Accordingly, a relatively small price movement in a futures contract may result in an immediate and substantial loss to the investor.

There can be no assurance that a liquid market will exist at a time when the Account seeks to close out an option position, future or Swap. Most United States commodity exchanges limit fluctuations in futures contract prices during a single day by regulations referred to as "daily limits." During a single trading day, no trades may be executed at prices beyond the daily limit. Once the price of a futures contract has increased or decreased to the limit point, positions can be neither taken nor liquidated. Futures prices have occasionally moved to the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Account from promptly liquidating unfavorable positions and subject the Account to substantial losses. In addition, certain of these instruments are relatively new and are without a significant trading history. As a result, there is no assurance that an active secondary market will develop or continue to exist. Lack of a liquid market for any reason may prevent the Account from liquidating an unfavorable position and the Account would remain obligated to meet margin requirements until the position is closed.

The CFTC and the United States commodities exchanges impose limits referred to as "speculative position limits" on the maximum net long or net short speculative positions that any person may hold or control in any particular futures or options contracts traded on United States commodities exchanges. For example, the CFTC currently imposes speculative position limits on a number of agricultural commodities *(e.g.,* corn, oats, wheat, soybeans and cotton) and United States commodities exchanges currently impose speculative position limits on many other commodities. The Reform Act significantly expands the CFTC's authority to impose position limits with respect to futures contracts and options on futures contracts, swaps that are economically equivalent to futures or options on futures, and swaps that are traded on a regulated exchange and certain swaps that perform a significant price discovery function. In response to this expansion of its authority, in 2012, the CFTC proposed a series of new speculative position limits with respect to futures and options on futures on so-called "exempt commodities" (which includes most energy and metals contracts) and with respect to agricultural commodities. Those proposed speculative position limits were vacated by a United States District Court, but the CFTC has again proposed a new set of speculative position rules which are not yet finalized (or effective). If the CFTC is successful in this second try, the counterparties with which the Account deals may further limit the size or duration of positions available to the Account. All accounts owned or managed by the Investment Adviser are likely to be combined for speculative position limit purposes. The Account could be required to liquidate positions it holds in order to comply with such limits, or may not be able to fully implement trading instructions generated by its trading models, in order to comply with such limits. Any such liquidation or limited implementation could result in substantial costs to the Account.

Options Trading. When purchasing or selling an option, the risks associated with the transaction will vary depending on the type of option *(i.e.,* put or call). When purchasing an option, it is necessary to calculate the extent to which the value of the underlying security must increase (in the case of a call) or decrease (in the case of a put) in order for the Account's position to become profitable, taking into account the premium and **all** transaction costs. The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a future, the purchaser will acquire a futures position with associated liabilities for margin. If the purchased option expires worthless, the Account will suffer a total loss of the amount invested in the option that will consist of the option premium plus transaction costs.

Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavorably. The seller will also be exposed to the risk of the purchaser exercising the option, and, upon such exercise, the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest, depending on the terms of the option. If the option is on a future, upon exercise by the purchaser of the option, the seller will acquire a position in a future with associated liabilities for margin. If the option is "covered" by the seller holding a corresponding position in the underlying interest or a future or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited. In the case of an option on a future, certain exchanges in some jurisdictions permit deferred payment of the option premium, exposing the purchaser to liability for margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.

Forward Contracts. Certain forward contracts may be traded on exchanges; however, forward contracts that are not traded on an exchange are traded via banks and/or dealers who act as principals in these markets. As a result of the Reform Act, the CFTC now regulates non-deliverable forwards (including deliverable forwards where the parties do not take delivery). Changes in the forward markets may entail increased costs and result in burdensome reporting requirements. There is currently no limitation on the daily price movements of forward contracts. Principals in the forward markets have no obligation to continue to make markets in the forward contracts traded. The imposition of credit controls by governmental authorities or the implementation of regulations pursuant to the Reform Act might limit such forward trading to less than that which the Investment Adviser would otherwise recommend, to the possible detriment of the Account.

Regulatory Developments Related to Commodities Trading. Trading activities may be impacted by regulatory developments related to commodities trading. For example, recent joint rulemaking by the CFTC and the SEC (required under the Reform Act) has broadened the definition of "commodities" positions to include certain types of swaps, including some foreign exchange trades, that were previously not regulated as commodities. The precise contours of the SEC and CFTC rules remain somewhat uncertain and may change in unpredictable ways over time. As of the date of this Memorandum, the General Partner is exempt from registration with the CFTC as a commodity pool operator ("CPO") pursuant to CFTC Rule 4.13(a)(3) which imposes certain quantitative limits on the size of commodities positions (including positions in swaps regulated as commodities) that the Account may take. Continued reliance on CFTC Rule 4.13(a)(3) will cause the Account to forego certain investment opportunities that might otherwise be suitable investments for the Account. In order to avoid the trading limitations imposed by CFTC Rule 4.13(a)(3), the Investment Adviser may seek to rely on other exemptions from registration that do not impose such limitations, or it may elect to register as a CPO with the CFTC. However, even if the Investment Adviser does register as a CPO, it expects that it may nevertheless be able to avoid certain disclosure, recordkeeping and reporting requirements that would otherwise apply to it (in reliance on CFTC Rule 4.7).

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This SUPPLEMENTAL ACKNOWLEDGMENT (this "Supplemental Acknowledgment") to the existing Investment Management Agreement between Houston Specialty Insurance Company (the "Client") and Arena Investors, LP, a Delaware limited partnership, as investment adviser (referred to herein as the "Investment Adviser") dated January 13, 2016 (as amended and supplemented from time to time, the "IMA") is being entered into as of May 17, 2021.

The signatories below acknowledge that a new discretionary sub-account (the "Sub-Account") is being created pursuant to the IMA that will be subject to the terms, investment guidelines and fees described below. Capitalized terms not otherwise defined herein have the meanings set forth in the IMA.

I. Funding Terms

The Sub-Account will be funded through a commitment of $50 million (the "Initial Commitment") by the Client which will be funded by the Client in 5 tranches of $10 million (or such lesser amounts as determined and notified by the Investment Adviser), with each tranche to be funded upon five (5) business days' notice to the Client from the Investment Adviser.

2. Investment Guidelines

The Investment Adviser's management of the Sub-Account will be consistent with the investment guidelines set forth below.

- Asset Types: CLOs, CMBS, RMBS, Consumer ABS, FIG Corporates, and Esoteric ABS
- Investment grade only (as defined by industry accepted rating agencies)[1]
- Target position size: $1-5mm (cost at time of purchase)
- Target average duration of four years
- US dollar denominated investments only

3. Fees.

The fees for the Sub-Account shall be as set forth in the Fee Exhibit attached hereto.

4. Indemnity.

In addition to the terms set forth in the indemnification provisions set forth in Section 8 of the IMA, the parties agree that: (a) the Investment Adviser shall indemnify the Client against any liabilities, claims and expenses reasonably incurred by Client in connection with the defense or disposition of any suit in which Client is involved as a party if such suit is reasonably related to the Investment Adviser's violation of its Standard of Care; and (b) all determinations with respect to indemnification hereunder shall be made by a final decision on the merits by a court or other body before whom the proceeding was brought that the Client is liable or not liable for any acts or omissions in connection with this Agreement. All determinations to advance payment in connection with the expense of defending any proceeding shall be made in accordance with Section 8(b) of the IMA.

[1] Credit ratings represent the rating agencies' opinions regarding the credit quality of certain instruments and are not a guarantee of future performance of such instruments. In addition, such ratings may not fully reflect the true risks of an investment in such instrument. Finally, in recent years, many highly rated instruments have been subject to substantial losses,

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5. Confidentiality.

In addition to the confidentiality terms set forth in Section 10 of the IMA, the parties agree that before any disclosure of information otherwise subject to Section 10 of the IMA on the grounds that such information is required by law, the Investment Adviser, to the extent permitted under such applicable law or regulatory authority, shall so inform the Client and shall give the Client, to the greatest extent reasonably permitted and practicable, an opportunity to seek appropriate protection of such confidential information.

Termination Upon Withdrawals.

Notwithstanding the language in Section 7 of the IMA, unless the Investment Adviser determines otherwise, any withdrawal that would bring the Sub-Account balance below the lesser of (i) $25,000,000 and (ii) 20% of the net asset value of the Sub-Account Assets as of the last month end before the Withdrawal Date shall be deemed a termination of the IMA with respect to the Sub-Account.

6. Representations, Warranties and Covenants,

Each of the Client's representations, warranties and covenants will be deemed repeated and reaffirmed (including with respect to the authorization of the Custodian by the Client to pay the Management Fees and Performance Fes directly to the Investment Adviser) as of the date this Supplemental Acknowledgement is executed.

IN WITNESS WHEREOF, the parties hereto have caused the foregoing Supplemental Acknowledgment to be executed as of the date first stated above.

HOUSTON SPECIALTY INSURANCE COMPANY

By: /s/Mark W. Haushill
Name: Mark. W. Haushill
Title:

ARENA INVESTORS, LP

By: /s/Lawrence Cutler
Name: Lawrence Cutler
Title: Authorized Signatory

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FEE EXHIBIT FOR INITIAL COMMITMENT

I. **Management Fee.**

A monthly management fee of [***]% ([***]% per annum) of the net asset value of the Sub-Account attributable to the Initial Commitment shall be payable to the Investment Adviser on the first day of each month as discussed in Exhibit A (the "Management Fee").

II. **Performance Fee.**

Further for its services hereunder, the Investment Adviser will calculate in respect of amounts attributable to the Initial Commitment as of (A) the end of each Fiscal Year *(i.e.*, December 31st) and (B) each Withdrawal Date, solely with respect to the amounts then withdrawn, [***]% (the "Performance Fee") of any excess as of such date of the Closing Sub-Account Balance, *over* (x) the Opening Sub-Account Balance (including for both the Opening and Closing Sub-Account Balances the balance attributable to any Set Aside Portions) as of the beginning of the current Fiscal Year (or, the Effective Date, as applicable); *provided,* however, that the Performance Fee shall not be paid unless the Sub-Account has earned the Hurdle from the date of the last payment of a Performance Fee (or for the first payment date from the Effective Date of the Sub-Account), it being the intention that if the Sub-Account has earned the Hurdle the Investment Adviser shall accrue a full Performance Fee on all of the net profits of the Sub-Account.[2] If the Hurdle has not been met for any Fiscal Period, no Performance Fee shall be paid for that Fiscal Period and entitlement to a Performance Fee shall be subject to meeting the Hurdle from the date a prior Performance Fee was paid or for the first payment date from the Effective Date of the Sub-Account. For these purposes:

"Closing Sub-Account Balance" means (i) for any Fiscal Period ending on December 31st or upon the date of termination of the Agreement, the Sub-Account balance as of the last business day of such Fiscal Period (as adjusted for any contributions or withdrawals during such period) or (ii) for any Fiscal Period ending as of a Withdrawal Date, the Sub-Account balance attributable to the amount of such withdrawal as of such Withdrawal Date.

"Fiscal Period" means the period beginning on the first business day of each calendar year (or the Effective Date for the first Fiscal Period) and ending on the earlier of the last business day of such calendar year (or the date of termination for the last Fiscal Period of the Sub-Account) and each Withdrawal Date.

"Hurdle" means a [***]% per annum increase in the actual Sub-Account value on any Fiscal Period end date above the net asset value as of the immediately preceding Fiscal Period end as to which a Performance Fee was paid (or for the first payment date from the Effective Date of the Sub-Account), as adjusted in good faith to eliminate the effect of additions to and withdrawals from the Sub-Account. Upon any withdrawal request from the Sub-Account, the Hurdle will be reduced pro rata based on the percentage of the Sub-Account sought to be withdrawn.

"Opening Sub-Account Balance" means (i) for any Fiscal Period beginning as of the Effective Date or the first business day of any calendar year, the Sub-Account balance as of such beginning date or (ii) for any Fiscal Period measured in connection with a withdrawal, the portion of the Sub-Account balance as of such beginning date attributable to the amount of such withdrawal.

[2] Note that this does not include new capital contributions, as clarified in the definition of Closing Sub-Account Balance.

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This SUPPLEMENTAL ACKNOWLEDGMENT B (this "Supplemental Acknowledgment") to the existing Investment Management Agreement between Houston Specialty Insurance Company (the "Client") and Arena Investors, LP, a Delaware limited partnership, as investment adviser (referred to herein as the "Investment Adviser") dated January 13, 2016 (as amended and supplemented from time to time, the "IMA") is being entered into as of May 17, 2021.

The signatories below acknowledge that a new discretionary sub-account (the "Sub-Account") is being created pursuant to the IMA and a Supplemental Acknowledgement thereof as of the date of this Supplemental Acknowledgment that will be subject to the terms, investment guidelines and fees described in such Supplemental Acknowledgment. Capitalized terms not otherwise defined herein have the meanings set forth in the IMA.

1. Expenses.

The expenses for the Sub-Account shall be as set forth in the Expenses Exhibit attached hereto.

2. Conflicts & Risk Factors.

The conflicts and risk factors set forth in the IMA shall be supplemented by the additional conflicts and risk factors set forth in the Conflicts & Risk Factors Exhibit attached hereto

IN WITNESS WHEREOF, the parties hereto have caused the foregoing Supplemental Acknowledgment to be executed as of the date first stated above.

HOUSTON SPECIALTY INSURANCE COMPANY

By: /s/Mark W. Haushill
Name: Mark. W. Haushill
Title:

ARENA INVESTORS, LP

By: /s/Lawrence Cutler
Name: Lawrence Cutler
Title: Authorized Signatory

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EXPENSES EXHIBIT

The Client shall bear all of its own operating and investment expenses including, but not limited to: the fees as set forth on the Fee Exhibit attached hereto; the Sub-Account will pay or reimburse any Arena Party for all reasonable costs, fees and third-party expenses incurred on behalf of the Sub-Account, including, but not limited to, brokerage commissions; clearing and settlement charges; custodial fees; bank service fees; administration expenses; valuation and appraisal expenses; interest expenses; professional and other fees and costs relating to the investigation, development, acquisition, consummation, ownership, maintenance, monitoring, hedging or disposition of investment opportunities, whether or not consummated (including expenses of attorneys, consultants and experts, private and commercial travel and investment software); costs of trade breaks; costs of trade errors to the extent consistent with the Investment Adviser's Trade Error Policy; risk management expenses; insurance (including general liability, directors and officers, errors or omissions and any cybersecurity insurance in respect of the Investment Adviser and related sub-advisors); Management Fees; expenses related to or in connection with any governmental inquiry, investigation or proceeding involving the Sub-Account, including the amounts of any judgments, settlements or fines paid in connection therewith; accounting and operations expenses (including the cost of accounting software packages and relevant non-accounting software); extraordinary expenses (including, unless otherwise stated herein, litigation, indemnification and contribution expenses) related to activities performed pursuant to this Agreement; expenses associated with investor reports; fees and expenses of unaffiliated servicers of specific assets owned by the Sub-Account; costs of research, information systems, software and hardware; costs of participations and other forms of compensation provided to deal finders; fees, costs and expenses (including salaries) of third-party persons engaged to provide middle- and back-office services to the Investment Adviser in respect of the Sub-Account and its activities; and costs and expenses associated with the preparation and distribution of periodic reports to the Client. To the extent such costs, fees or expenses are incurred for the benefit of both the Sub-Account and other entities managed by the Investment Adviser or its affiliates, the Investment Adviser shall make a good faith allocation of such costs, fees or expenses among the Sub-Account, and such entities.

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CONFLICTS & RISK FACTORS EXHIBIT

Capital Structure Conflicts. The Investment Adviser anticipates that it may make an investment in respect of the Sub-Account in a company in which another Arena client holds an investment in a different class of such company's debt or equity. In such circumstances, the Investment Adviser may have conflicting loyalties between its duties to the Sub-Account and such other Arena client. Generally speaking, Arena expects that the Sub-Account will make investments that potentially conflict with the interest of another Arena client only when, at the time of investment by the Sub-Account, the Investment Adviser believes that (a) such investment is in the best interests of the Sub-Account and (b)(i) the possibility of actual adversity between the Sub-Account and the other Arena client is remote, (ii) either the potential investment by the Sub-Account or the investment of such other Arena client is not large enough to control any actions taken by the collective holders of securities of such company or asset, or (iii) in light of the particular circumstances, the Investment Adviser believes such investment is appropriate notwithstanding the potential for conflict. In those circumstances where the Sub-Account and another Arena client hold investments in different classes of a company's debt or equity, the Investment Adviser may also, to the fullest extent permitted by applicable law, take steps to reduce the potential for adversity between the Sub-Account and such other Arena client, including causing the Sub-Account to take certain actions that, in the absence of such conflict, it would not take, such as (A) remaining passive in a restructuring or similar situations (including electing not to vote or voting pro rata with other security holders), (B) investing in the same or similar classes of securities as the other Arena Sub-Account in order to align their interests, (C) divesting investments or (D) otherwise taking an action designed to reduce adversity. Any such step could have the effect of benefiting another Arena client (or the Investment Adviser) and therefore may not have been in the best interests of, and may have been adverse to, the Sub-Account. A similar standard generally will apply if another Arena client makes an investment in a company or asset in which the Sub-Account holds an investment in a different class of such company's debt or equity securities or assets.

Valuation Risks. It is anticipated that a substantial portion of the Client's portfolio will consist of illiquid and difficult to value instruments. The Investment Adviser will be responsible for valuing instruments based on available information. The Investment Adviser shall determine the value of such instruments in good faith, in accordance with the Investment Adviser's pricing policy, which may be amended from time to time, copies of which shall be made available to the Client upon its reasonable request at any time. Because both the Management Fee and Performance Fee calculations derive from the valuation of the Sub-Account Assets, the Investment Adviser faces a conflict in valuing the Client's Sub-Account. The Investment Adviser will seek to mitigate this conflict by relying on third party sources for valuation whenever such third party sources are reasonably available.

Engagement of Advisors and Service Providers. Conflicts may arise in connection with the engagement of advisors and other service providers. Certain advisors and other service providers, or their affiliates (including accountants, administrators, lenders, bankers, brokers, attorneys, consultants, investment or commercial banking firms and certain other advisors and agents), to the Sub-Account may also provide goods or services to or have business, personal, financial or other relationships with the Investment Adviser or its affiliates and/or other Arena clients. Such advisors and service providers may be investors in other accounts, sources of investment opportunities or co-investors or counterparties therewith. These relationships may influence the Investment Adviser in deciding whether to select or recommend such a service provider to perform services for the Sub-Account (the cost of which will generally be borne directly or indirectly by the Sub-Account). In certain circumstances, advisors and service providers, or their affiliates, may charge different rates or have different arrangements for services provided to the Investment Adviser or its affiliates or other Arena clients as compared to services provided in respect of the Sub-Account, which may result in more favorable rates or arrangements than those payable by the Sub-Account.

Notwithstanding the foregoing, investment transactions for the Sub-Account that require the use of a service provider will generally be allocated to service providers on the basis of the Investment Adviser's judgment as to best execution. In addition, the Investment Adviser or its affiliates may from time to time enter into business arrangements with service providers to operating companies whereby the Investment Adviser or its affiliates will recommend the service provider to operating companies held by one or more Arena clients in circumstances deemed appropriate by the Investment Adviser or its affiliates, and the service provider will agree to provide services to all such operating companies at a discounted rate. Such arrangements present a conflict of interest given the potential recommendation of a service provider that is providing other operating companies (in some cases, owned by other Arena clients and/or the Investment Adviser) with services (at a discounted rate or otherwise).

Service Providers. In certain circumstances, the Investment Adviser and/or its affiliates may retain third-party consultants on a full-time or part-time basis primarily to provide manufacturing, sales, marketing, pricing, technology, human resources, acquisition integration/rationalization and/or other operations services or similar services in respect of the Sub-Account, any alternative investment vehicle or any Investment or prospective Investment of the Sub-Account or any alternative investment vehicle. In such circumstances, the Sub-Account may bear compensation and expenses of such consultants calculated as fixed fees and/or performance-based fees and allocations with respect to Investments, whether in the form of cash, options, warrants, stock, incentive equity, other stock awards or otherwise. The Sub-Account's portion of any such compensation payments and expenses will not be deemed transaction fees and will not otherwise reduce the Management Fee. In addition, over the life of the Sub-Account, the Investment Adviser generally expects to exercise its discretion to recommend to the Sub-Account or to an Investment thereof that it contracts for services with various service providers, potentially including, among others, a current or prospective investors in Arena clients or its affiliates. This subjects the Investment Adviser to potential conflicts of interest, because although it intends to select service providers that it believes are aligned with its operational strategies and that will enhance Investment performance, the Investment Adviser may have an incentive to recommend the related or other person or entity because of its financial or business interest.

Conflicts may arise whereby the Investment Adviser may be incentivized to favor the Investment Adviser's or its affiliates' consultants or current or prospective investors to provide such services over more qualified service providers. There is a possibility that the Investment Adviser, because of such incentive or for other reasons (including whether the use of such persons or entities could establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to the Investment Adviser, the Sub-Account or other Arena clients), may favor such retention or continuation even if a better price and/or qualify of service provider could be obtained from another person or entity. In addition, the Investment Adviser may have a conflict of interest in determining the costs of such services that will be charged to the Sub-Account. Whether or not the Investment Adviser has a relationship with or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Middle- and Back-Office Support Services. The Investment Adviser may engage third-party services providers to provide middle- and back-office support services to the Investment Adviser in respect of the Sub-Account's and other Arena client's activities. Persons provided by such third-party service may spend a substantial amount of their time dedicated to the Investment Adviser as if they were employees of the Investment Adviser. The Sub-Account will bear its allocable share of the salaries, fees and expenses of any such persons.

Epidemics, Pandemics, Outbreaks of Disease and Public Health Issues. The Investment Adviser's business activities as well as the activities in respect of the Sub-Account and its operations and investments could be materially adversely affected by outbreaks of disease, epidemics and public health issues in Asia, Europe, North America, the Middle East and/or globally, such as COVID-19 (and other novel coronaviruses), Ebola, H1N1 flu, H7N9 flu, H5N1 flu, Severe Acute Respiratory Syndrome, or SARS, or other epidemics, pandemics, outbreaks of disease or public health issues. In particular, coronavirus, or COVID-19, has spread and is currently spreading rapidly around the world since its initial emergence in December 2019 and has negatively affected (and may continue to negative affect or materially impact) the global economy, global equity markets and supply chains (including as a result of quarantines and other government-directed or mandated measures or actions to stop the spread of outbreaks). Although the long-term effects of coronavirus, or COVID-19 (and the actions and measures taken by governments around the world to halt the spread of such virus), cannot currently be predicted, previous occurrences of other epidemics, pandemics and outbreaks of disease, such as HSNI, H1N1 and the Spanish flu, had material adverse effects on the economies, equity markets and operations of those countries and jurisdictions in which they were most prevalent. A recurrence of an outbreak of any kind of epidemic, communicable disease, virus or major public health issue could cause a slowdown in the levels of economic activity generally (or push the world or local economies into recession), which would be reasonably likely to adversely affect the business, financial condition and operations of the Investment Adviser and the Sub-Account. Should these or other major public health issues, including pandemics, arise or spread farther (or continue to worsen), the Investment Adviser and the Sub-Account could be adversely affected by more stringent travel restrictions (such as mandatory quarantines and social distancing), additional limitations on the Investment Adviser's (or the Sub-Account's) operations and business activities and governmental actions limiting the movement of people and goods between regions and other activities or operations.

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF DISCLOSED.

Execution Version

AMENDMENT AGREEMENT TO

THE INVESTMENT MANAGEMENT AGREEMENT

THIS AMENDMENT AGREEMENT TO THE INVESTMENT MANAGEMENT AGREEMENT (the "**Amendment Agreement**") is entered into this March 23, 2022 with an effective date as of March 15, 2022, between Houston Specialty Insurance Company, Imperium Insurance Company and Great Midwest Insurance Company (collectively the "**Client**") and Arena Investors, LP, a Delaware limited partnership, as investment manager (the "**Investment Adviser**"). The Client and the Investment Adviser are sometimes each individually referred to as a "**Party**" and collectively as the "**Parties**". Any terms used but not defined herein have the meanings assigned to them in the IMA (as defined below).

Witnesseth

WHEREAS, the Investment Adviser and the Client are parties to that certain Investment Management Agreement dated January 13, 2016 (the "**IMA**"), pursuant to which the Investment Adviser provides certain services to the Client in respect of the Client's investment sub-accounts (collectively, the "**Account**").

WHEREAS, the Parties now wish to enter into this Amendment Agreement in order to document certain disclosures made to the Client by the Investment Adviser with respect to the Account.

NOW, THEREFORE, in consideration of the mutual promises contained herein, and for other good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Parties agree the IMA is hereby amended as follows:

1. AMENDMENTS

1.1 An Annex A titled "CERTAIN DISCLOSURES" shall be inserted at the end of the IMA to read as provided in Annex attached hereto.

1.2 The Client has carefully reviewed, understands and agrees to the disclosures listed on Annex A.

2. ABSENCE OF ADDITIONAL AMENDMENTS

Unless otherwise agreed in this Amendment Agreement, the terms of the IMA shall remain in full force and effect unless such terms are incompatible with the amendments set forth in Section 1 of this Amendment Agreement, in which case, such terms shall apply with the minimum modifications necessary to make them valid and enforceable.

3. REPRESENTATION AND WARRANTIES

3.1 Each Party hereby reiterates and confirms the original representations and warranties given in the IMA.

3.2 Without prejudice to Section 3.1 above, each Party represents and warrants that:

3.2.1 it has full power to execute this Amendment Agreement and to fulfil the obligations arising thereunder; and

3.2.2 it took all the necessary steps to authorize the execution and performance of its obligations under this Amendment Agreement.

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF DISCLOSED.

4. GOVERNING LAW; ARBITRATION

Notwithstanding the place where this Amendment Agreement may be executed by any of the parties hereto, the parties expressly agree that this Amendment Agreement, and all terms and provisions hereof, shall be governed by and construed in accordance with the laws of the State of Delaware (without conflicts of laws principles). Any dispute, controversy or claim arising out of or in connection with or relating to this Amendment Agreement or any breach or alleged breach hereof shall be submitted to, and determined and settled by, arbitration in New York, New York, pursuant to the Comprehensive Arbitration Rules of the Judicial Arbitration and Mediation Services, and judgment upon any such arbitral award rendered may be entered in any court having jurisdiction thereof.

5. COUNTERPARTS

This Amendment Agreement may be executed in any number of identical counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same agreement as if the signatures to each counterpart were upon a single instrument. This Amendment Agreement shall become effective when counterparts have been signed by each party and delivered to the other parties; provided that a facsimile signature shall be considered due execution and shall be binding upon the signatory thereto with the same force and effect as if the signature were an original and not a facsimile signature.

6. JURY TRIAL WAIVER.

EACH OF THE PARTIES TO THIS AMENDMENT AGREEMENT HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW OR IN EQUITY, ALL OF ITS RIGHTS TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM DIRECTLY OR INDIRECTLY ARISING OUT OF THIS AMENDMENT AGREEMENT, ANY GOVERNING DOCUMENT, THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, OR ANY ACTIONS OR OMISSIONS IN CONNECTION HEREWITH OR THEREWITH. EACH PARTY (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT, OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTY HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AMENDMENT AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF DISCLOSED.

IN WITNESS WHEREOF, the parties hereto have caused the foregoing instrument to be executed as of the date first stated above.

GREAT MIDWEST INSURANCE COMPANY

By: /s/Kevin Westervelt
Name: Kevin Westervelt
Title: Authorized Signatory

HOUSTON SPECIALTY INSURANCE COMPANY

By: /s/Kevin Westervelt
Name: Kevin Westervelt
Title: Authorized Signatory

IMPERIUM INSURANCE COMPANY

By: /s/Kevin Westervelt
Name: Kevin Westervelt
Title: Authorized Signatory

ARENA INVESTORS, LP

By: /s/Lawrence Cutler
Name: Lawrence Cutler
Title: Authorized Signatory

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF DISCLOSED.

ANNEX A

CERTAIN DISCLOSURES

1. Certain Asset Servicing Expenses

Because many of the assets that the Account expects to acquire require the direct and continuous supervision of asset servicing personnel, the Investment Adviser, on behalf of the Account, will contract with its affiliate, Quaestor Advisors, LLC ("**Quaestor**" and together with Arena Fortify Management LLC, and any other company ultimately owned by AMC (as defined below) established for the purpose of providing similar services to assets from a specific industry or geographic profile, the "**Affiliated Asset Service Providers**") for the day-to-day asset servicing, including loan servicing and other ancillary services, required to maintain the types of illiquid assets in the Account's portfolio.

In addition, certain other support functions are performed by personnel or other entities in the Arena Group, the fees of which are paid by the Account and are not included in the Asset Servicing Expense discussed below. Each Affiliated Asset Service Provider is currently staffed primarily by individuals who are also employees of the Arena Group to service a broad array of illiquid assets on behalf of the Account and other persons. Given the Affiliated Asset Service Providers' affiliation with the Investment Adviser and that personnel are providing services on behalf of the Affiliated Asset Service Providers are employed by other entities in the Arena Group, the Investment Adviser faces a conflict in determining whether to engage any of the Affiliated Asset Service Providers and monitoring the quality of their services.

In light of the unique nature of a large portion of the Account's assets and the efforts required to service them, it is not possible to estimate servicing costs precisely. However, these services are estimated to cost Quaestor an annual amount per asset type set forth in the table below. Rather than charging an amount per asset type, Quaestor will limit the charge to the Account to an amount equal to [***] basis points ([***]%) per annum (the "**Asset Servicing Expense**") of the fair value, as determined by the Investment Adviser's valuation committee, of that portion of Account's illiquid assets. For the avoidance of doubt, asset servicing functions may be performed by personnel within back office functions including, for example, operations, accounting, finance and compliance. The Investment Adviser estimates that this will result in an aggregate annual Asset Servicing Expense in a typical year that is lower than the fees charged for asset servicing if an amount per asset type were charged to the Account based on the rates below. However, depending on the mix of asset types in the portfolio at any given time the fee could be higher or lower than an aggregated fee based on the rates below:

Asset Type	Annual Rate
ABS/CDO/RMBS/CMBS/ Other Securitized Bonds	[***]%
Commercial/Corporate-Performing Loans/Convertibles	[***]%
Real Estate - Performing Loans	[***]%
Private Structured Transactions	[***]%
Commercial/Corporate Non-Performing Distressed Loans	[***]%
Real Estate - Non-performing Distressed Loans/REO	[***]%
Other Assets (Tangible)	[***]%

From time to time the Investment Adviser will review the Asset Servicing Expense in consideration of the services provided in order to validate its belief that the Asset Servicing Expense is comparable than the fees that would be charged for the same services if obtained from a third party. In evaluating the Asset Servicing Expense, the Investment Adviser will consider the costs being charged for similar services by non-affiliated service providers. However, relevant comparisons may not be available for a number of reasons, including, without limitation, because there are a limited number of providers or users of such services or because of the confidential and/or bespoke nature of such services. For these reasons, market comparisons may not yield market terms for comparable services. In addition to acquiring market data, the Investment Adviser may decide from time to time to obtain benchmarking data. However, benchmarking data is based on general market overviews, rather than determined on an asset-by-asset basis. As a result, benchmarking data does not take into account the specific characteristics of individual assets (such as location or size, and to some degree, the specialty nature of an asset). Benchmarking studies are expensive and will be borne by the Account and/or any other Arena client utilizing such benchmarking study, and will not offset the Management Fee.

In addition to the day-to-day asset management services, the Affiliated Asset Service Providers will provide due diligence, acquisition and disposition services to the Account for the types of assets listed above.

The Asset Servicing Expense and the charges described above are in addition to, and will not offset, the Management Fee or any other fees; they are used to cover Affiliated Asset Service Providers' expense of engaging additional personnel and incurring additional overhead costs to manage the illiquid assets in the Account's portfolio, in lieu of hiring an unaffiliated third-party loan servicer.

The Affiliated Asset Service Providers will not manage or receive payments in respect of the Account's portfolio of liquid assets (i.e., Level I assets for GAAP purposes), for which the costs of managing will be covered by the Management Fee.

Arena and certain of its principals will benefit from each the Affiliated Asset Service Provider's relationship and its receipt of fees from the Account. Such fees and relationship enhance the value of each Affiliated Asset Service Provider as a full service asset servicing firm, and the Account will not participate in any increase in value, tangible or intangible, of such Affiliated Asset Service Provider. Conflicts may arise in determining whether the Affiliated Asset Service Providers have performed their obligations to the Account and/or whether the Affiliated Asset Service Providers are entitled to be indemnified pursuant to the provisions contained in any agreement between the Affiliated Asset Service Providers and the Account. The managers, officers, and employees of the Affiliated Asset Service Providers will devote such time as it determines in its sole discretion to be necessary to perform its obligations under its agreement with the Account. It is expected that such individuals will also perform services for other Arena clients and conflicts of interest may arise in allocating management time, services or functions among the Account and such other Arena clients.

2. Other Costs of Service Providers and Consultants

It is anticipated that the Account will bear additional expenses and charges related to certain types of assets in respect of the Account, including the expenses of Quaestor Strategic Advisors LLC ("**Quaestor Strategic Advisors**") and other charges. For example, loans, such as term loans and revolvers, originated by Arena affiliates, clients (including the Account) and their respective portfolio investments are anticipated to involve the engagement of Arena affiliates (including Quaestor Strategic Advisors and sourcers owned in whole or in part by Arena Management Company ("**AMC**") or other Arena funds) as a service provider. In addition, Arena Fortify Management LLC and other affiliates, subsidiaries, and successors of AMC or Quaestor Strategic Advisors, as applicable, will provide expertise and services to portfolio companies involved in specific sectors or geographic regions.

In addition, the Account will have the right to contract with other affiliates of the Investment Adviser for asset management, loan servicing, special servicing due diligence and ancillary services. In such an instance, such affiliate would receive fees from the Account for such services from the Account, which gives rise to a conflict associated with the pricing of such services.

3. Quaestor Strategic Advisors; Special Expenses

Quaestor Strategic Advisors consists of U.S. and non-U.S. entities utilized by affiliates of Arena (collectively with any subsidiary or successor entities thereto, and any similar entities established for the purpose of conducting similar activities for specified groupings of companies that come under the control of AMC, such as Arena Fortify Management LLC (the "**Quaestor Entities**" and together with any other company ultimately owned by AMC established for the purpose of providing similar services to assets from a specific industry or geographic profile, "**Affiliated Asset Service Entities**"). The Affiliated Asset Service Entities, in exchange for the Special Expenses, facilitate strategic arrangements with, or engagements (including on an independent contractor or employment basis) of, any persons that the Investment Adviser determines in good faith to be industry executives, advisors, consultants, operating executives, subject matter experts or other persons acting in a similar capacity, to provide consulting, sourcing or other services to the Account, issuers of investments (including with respect to potential portfolio investments of the Account) and other Arena clients and their investments and expects to provide such services to clients not managed by the Investment Adviser in the future. The foregoing individuals are distinct from Arena's personnel who provide services on behalf of the Investment Adviser; however, from time to time some personnel or consultants who are Arena employees may become employees or consultants of the Affiliated Asset Service Entities if the Investment Adviser determines that such personnel have the specific skills, talents or other qualities to perform certain services. No lapse in service or time period is required in order for the Affiliated Asset Service Entities to retain the services of such personnel and to commence billing the Account for the Special Expenses.

In connection with such services, the Affiliated Asset Service Entities may receive Special Expenses. Special Expenses will be retained by, and be for the benefit of, the Affiliated Asset Service Entities and will not offset the Management Fee. The Affiliated Asset Service Entities may hire a person to perform work for the Account and other funds advised by the Investment Adviser or for one or more investments in the Account. In such event the expenses paid for such person will be shared by the Account and such other Arena accounts in a manner that the Investment Adviser believes is fair and equitable. Such expenses include, but are not limited to, employee costs, consulting, legal expenses, software expenses and insurance.

To the extent that for legal, tax, regulatory or similar reasons it is necessary or desirable that the foregoing activities be conducted by, through or with one or more affiliates of the Investment Adviser or other persons other than the Affiliated Asset Service Entities, such activities will be treated for purposes of this definition as if they were conducted by the Affiliated Asset Service Entities.

"**Special Expenses**" means salary, fees, expenses or other compensation of any nature, including performance-based bonuses, paid by the Account or an issuer of an investment to the Affiliated Asset Service Entities (and a share of the Cost related to such entity) or any of their employees who acts as an officer of, or in an active management role at, or in respect of, such issuer (including industry executives, advisors, consultants (including operating consultants and sourcing consultants), operating executives, subject matter experts or other persons acting in a similar capacity engaged or employed by an applicable Affiliated Asset Service Entity, but excluding investment professionals providing services on behalf of the Investment Adviser that are engaged primarily in the investment activities of the Account. The Affiliated Asset Service Entities may be engaged by and receive reimbursement for Special Expenses from the Account with respect to a potential or actual portfolio investment or be engaged directly by a portfolio company and receive reimbursement for Special Expenses from the portfolio company. Neither reimbursement by the Account or by the issuer of an investment shall be the exclusive means of reimbursement of Special Expenses by the Affiliated Asset Service Entities with respect to any services provided by or expenses incurred by the Affiliated Asset Service Entities.

"**Cost**" means overhead costs including office leases and related expenses (such as rent, utilities and other related expenses), information technology and related support (such as applications, licenses, data/cybersecurity software and services and other related expenses), legal, regulatory compliance, human resources, accounting and internal audit, insurance, and other operating costs (e.g., travel, employee activities, working meals and supplies). For the avoidance of doubt, "Cost" will typically increase on a per client basis if fewer clients of the Investment Adviser utilize the applicable Affiliated Asset Service Entity or other affiliated service provider as the costs are spread among fewer additional persons.

4. Ongoing Account Expenses

For the avoidance of doubt, costs related to services provided to the Account by certain personnel of the Investment Adviser or its affiliates will be charged to the Account where such activities are outside of the services expected to be provided under the IMA. Such services are generally of a type that the Investment Adviser would otherwise hire a third party.

The Account will bear the expense for retaining additional personnel who will source investments on behalf of the Account and report to the applicable personnel employed by the Investment Adviser with respect to such investment origination. Such amounts will be in addition to the Management Fee.

5. Diversification Target

For the avoidance of doubt, the Investment Adviser may, in its sole discretion, determine that for the purposes of the limit on investments in any single issuer, investments will not be combined with other investments (even if investing in multiple developments within a geographic region with a single joint venture partner). Any deviation from this limit will be reported to the Client in the next quarterly reports.

6. Leverage

Leverage for the Account is expected in some cases to be obtained on a joint and several or cross-collateralized basis with other Arena accounts and affiliates. The Account intends to enter into credit facilities on a joint and several or cross-collateralized basis with other Arena accounts and certain affiliates. Such credit facilities may include implementing leverage for investments that will be purchased by or contributed to a special purpose vehicle ("**SPV**") for the purpose of co-investment in certain assets with other Arena accounts and which may further involve the sale of a portion of loans originated by such SPVs to other Arena accounts (directly or indirectly through another SPV structure that is co-owned by the Account and other Arena accounts) including other entities that are wholly-owned by the Investment Advisor or its parent. If there were a failure by one or more of the other borrowers in a cross-collateralized facility, the Account could be responsible for the repayment of any such defaulted portion, even if the loan proceeds were not extended to the Account but to another borrower included in the facility. In addition, in respect of any investment purchased with borrowed funds, the relevant lender may obtain certain restrictive or other consent rights in relation to such investment upon a default of a coborrower or the Account. Such rights may hinder the ability of the other co-borrowers, including the Account, to sell, amend or otherwise deal in the relevant asset.

7. New Ventures

In furtherance of the Account's investment strategy, the Investment Adviser may form, fund, and invest in, new going-concerns or other new businesses or business lines (individually, a "**New Venture Party"** and collectively, the "**New Venture Parties**"), and then cause such New Venture Parties to commence business operations, whether alone, or together with the Account and/or one or more other Arena accounts.

Such lines of business will be newly formed entities with no operating history or track record upon which to evaluate the New Venture Party's performance. Investing in new ventures is inherently riskier that investing in existing going-concerns. New ventures generally have less predictable operating results, could from time to time be parties to litigation, are often engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, could require a large amount of time and attention from the Investment Adviser, could require substantial additional capital to support their operations, finance expansion or maintain their competitive position, and if such new ventures have difficulty accessing the capital markets to meet future capital needs, will limit their ability to grow. In addition, the success of new ventures depends in large part on the management talents and efforts of a small group of persons and their ability to work together. In the case of the New Venture Parties, the persons, some of whom are performing critical functions, will not necessarily know each other and have no experience working together, which enhances the risk profile of the New Venture Parties. In addition, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on these ventures' ability to meet their obligations."

In addition, Arena could in the future develop new businesses, such as providing investment banking, advisory and other services to corporations, financial sponsors, management or other persons. Such services could relate to transactions that could give rise to investment opportunities that are suitable for the Account. In such case, Arena's client would typically require it to act exclusively on its behalf, thereby precluding the Account from participating in such investment opportunities. Arena would not be obligated to decline any such engagements in order to make an investment opportunity available to the Account. In addition, it is possible Arena or its affiliates will come into the possession of information through these new businesses that limits the Account's ability to engage in potential transactions.

8. Custody Rule

The Account will bear the Investment Adviser's expenses for complying with the custody rule under the Advisers Act. The Investment Adviser will determine how to comply with the custody rule in its sole discretion and charge such amounts to the Account. Such amounts will be in addition to the Management Fee.

9. Affiliated Broker-Dealer

The Investment Adviser is an affiliate of Arena Financial Services, LLC ("**AFS**"), which is registered as a broker-dealer in the U.S. with the SEC and FINRA and may become an affiliate of or establish other broker-dealers in the future. Such broker-dealers (including their respective related lending vehicles) could manage or otherwise participate in underwriting syndicates and/or selling groups with respect to portfolio companies of the Account or otherwise be involved in the private placement of debt or equity securities or instruments issued by the Account's portfolio companies and non-controlling entities in or through which the Account invests (including by placing securities issued by such portfolio companies with co-investors) or otherwise in arranging or providing financing for portfolio companies alone or with other lenders, which could include the Account and other Arena clients. As a consequence, such affiliated broker-dealers could hold positions in instruments and securities issued by the Account's portfolio companies and engage in transactions that could also be appropriate investments for the Account. Such broker-dealers will generally (subject to applicable law) receive underwriting fees, placement commissions, financing fees, interest payments or other compensation with respect to such activities, which are not required to be shared with the Account. Where an affiliated broker-dealer serves as underwriter with respect to a portfolio company's securities, the Account will generally be subject to a "lock-up" period following the offering under applicable regulations or agreements during which time its ability to sell any securities that it continues to hold is restricted. This could prejudice the Account's ability to sell of such securities at an opportune time.

In addition, in circumstances where a portfolio company becomes distressed and the participants in an offering undertaken by such portfolio company have a valid claim against the underwriter, the Account would have a conflict in determining whether to sue its affiliated broker-dealer. In circumstances where a non-affiliate broker-dealer has underwritten an offering, the issuer of which becomes distressed, the Account will also have a conflict in determining whether to bring a claim on the basis of concerns regarding Arena's relationship with the broker-dealer.

10. Certain Additional Risk Factors

Market Disruptions; Governmental Intervention; Dodd-Frank Wall Street Reform and Consumer Protection Act. The global financial markets have in the past gone through pervasive and fundamental disruptions that have led to extensive and unprecedented governmental intervention. Such intervention has in certain cases been implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition — as one would expect given the complexities of the financial markets and the limited time frame within which governments have felt compelled to take action — these interventions have typically been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies.

The Account may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to the Account from its banks, dealers and other counterparties is typically reduced in disrupted markets. Such a reduction may result in substantial losses to the Account. Market disruptions may from time to time cause dramatic losses for the Account, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

In the United States, the Dodd-Frank Act was signed into law in July 2010. The Dodd-Frank Act established rigorous oversight standards to protect the U.S. economy and American consumers, investors and businesses. The Dodd-Frank Act and related CFTC and SEC rulemakings require additional regulation of fund and derivative managers, including requirements for such managers to register as investment advisers under the Advisers Act, and disclose certain information to regulators about their funds, investors, positions, counterparties, and exposures. The Dodd-Frank Act is in the process of being implemented based on the adoption of various regulations and reports being promulgated by various authorities over a period of time. While certain significant rules have gone into effect, the regulators are currently in the process of proposing and promulgating additional regulations, and it is unknown in what form, when, and in what order all of the regulations may be implemented or the impact any such implemented regulations will have on Arena and the Account.

Regulatory Risks Associated with Investment Level Leverage. The Account may implement collateralized loan obligations ("**CLOs**") in order to secure leverage. The applicable risk retention rules require a sponsor or a "majority-owned affiliate" thereof of a securitization transaction, such as a CLO (in the case of U.S. Risk Retention Rules) or certain other eligible entities (in the case of EU/UK Risk Retention Rules), to retain at least 5% of the economic interest in the credit risk of the securitized assets (the "**Retention Interests**").

Under the U.S. Risk Retention Rules, a "majority-owned affiliate" of a sponsor may hold Retention Interests. For purposes of satisfying obligations under the U.S. Risk Retention Rules, Arena, as asset manager (a "**CLO Manager**") of any CLO implemented by the Account, expects to retain, as sponsor, or to cause one of its "majority-owned affiliates" to retain, Retention Interests in each such CLO. There has been limited guidance regarding how entities may be structured for this purpose, and therefore the regulatory environment in which any such CLOs would operate is uncertain. There can be no assurance that applicable governmental authorities will agree that any of the transactions, structures or arrangements entered into by Arena, and the manner in which it expects to hold Retention Interests, will satisfy the U.S. Risk Retention Rules. If such transactions, structures or arrangements are determined not to comply with the U.S. Risk Retention Rules, Arena and the Account could become subject to regulatory action. The impact of the U.S. Risk Retention Rules on the securitization market is also unclear and such rules may negatively impact the value of the CLOs and their underlying assets.

Epidemics, Pandemics, Outbreaks of Disease and Public Health Issues. The Investment Adviser's business activities as well as the activities in respect of the Account and its operations and investments could be materially adversely affected by outbreaks of disease, epidemics and public health issues in Asia, Europe, North America, the Middle East and/or globally, such as COVID-19 (and other novel coronaviruses), Ebola, H1N1 flu, H7N9 flu, H5N1 flu, Severe Acute Respiratory Syndrome, or SARS, or other epidemics, pandemics, outbreaks of disease or public health issues. In particular, coronavirus, or COVID-19, has spread and is currently spreading rapidly around the world since its initial emergence in December 2019 and has negatively affected (and may continue to negative affect or materially impact) the global economy, global equity markets and supply chains (including as a result of quarantines and other government-directed or mandated measures or actions to stop the spread of outbreaks). Although the long-term effects of coronavirus, or COVID-19 (and the actions and measures taken by governments around the world to halt the spread of such virus), cannot currently be predicted, previous occurrences of other epidemics, pandemics and outbreaks of disease, such as H5N1, H1N1 and the Spanish flu, had material adverse effects on the economies, equity markets and operations of those countries and jurisdictions in which they were most prevalent. A recurrence of an outbreak of any kind of epidemic, communicable disease, virus or major public health issue could cause a slowdown in the levels of economic activity generally (or push the world or local economies into recession), which would be reasonably likely to adversely affect the business, financial condition and operations of the Investment Adviser and the Account. Should these or other major public health issues, including pandemics, arise or spread farther (or continue to worsen), the Investment Adviser and the Account could be adversely affected by more stringent travel restrictions (such as mandatory quarantines and social distancing), additional limitations on the Investment Adviser's (or the Account's) operations and business activities and governmental actions limiting the movement of people and goods between regions and other activities or operations.

Risks Relating to SPACs. The Account may invest in one or more special purpose acquisition companies (each, a "**SPAC**"). Thus, a portion of the Account's profits will be dependent on a SPAC's ability to successfully complete its IPO and initial business combination transaction, the performance of a SPAC and of its acquired company at, and following, the business combination and the market value of a SPAC's securities. An investment in a SPAC, including SPACs sponsored by Arena SPAC Persons (as defined below), creates a number of significant risks, including those described below.

Risks associated with investing in a SPAC include, among other things, that: (i) such SPAC may not be able to locate or acquire target companies by the deadline; (ii) the value of any target company may decrease following its acquisition by such SPAC; (iii) the value of the funds invested and held in the trust decline; (iv) the inability to redeem due to the failure to hold the securities in the SPAC as of the record date or the failure to vote against the acquisition; and (v) if the SPAC is unable to consummate a business combination, public stockholders (including the Account) will be forced to wait until the deadline before liquidating distributions are made. If a SPAC is unable to locate and acquire target companies by the deadline, the SPAC may be forced to liquidate its assets, which may result in losses due to the expenses and liabilities of the SPAC.

The Account may invest in a SPAC that, at the time of investment, has not selected or approached any prospective target businesses with respect to a business combination. In such circumstances, there may be an extremely limited basis for the Account to evaluate the possible merits or risks of such SPAC's investment in any particular target business. Also, to the extent that a SPAC completes a business combination, it may be affected by numerous risks inherent in the business operations of the acquired company or companies, and there is no guarantee that a SPAC that completes a business combination will exceed the per share value of the SPAC's equity previously held in trust.

Also, certain affiliates and key persons of the Investment Adviser (the "**Arena SPAC Persons**") may serve in the future as a sponsor to, certain SPACs in which certain Arena clients will invest in the future (a "**Related SPAC**"). Although the Arena SPAC Persons will endeavor to evaluate the risks inherent in a particular target business for any Related SPAC, there is no guarantee that Arena SPAC Persons will properly ascertain or assess all of the significant risk factors or that they will have adequate time to complete due diligence. Furthermore, some of these risks may be outside of the target business and outside of any Related SPAC's control and leave a Related SPAC with no ability to control or reduce the chances that those risks will adversely impact a target business. In addition, there can be no assurance that a target business will be profitable or successful in its operations following the business combination.

Arena SPAC Persons, the Account and other Arena affiliated investment accounts managed by it or by an affiliate may, from time to time, be allocated Sponsor Equity (as defined below) in connection with a Related SPAC. For the avoidance of doubt, the Account may not be offered such opportunities depending on the circumstances of the SPAC. The Sponsor Equity will be worthless if a Related SPAC does not complete an initial business combination. As a result, the Arena SPAC Persons may have different interests in considering and supporting any proposed de-SPAC business combination transaction than the Account. Additionally, as a holder of Sponsor Equity the Account will incur its pro rata portion of any upfront costs incurred in connection with the formation of any Related SPAC, and there is no guarantee that the Account would receive any return on its investment in Sponsor Equity.

Investments in SPACs are speculative and involve a high degree of risk.

PIPE Transactions. The Account may participate in PIPE transactions, including PIPE transactions associated with Related SPACs. Special investments in public companies whose stocks are quoted on stock exchanges or which trade in the over-the-counter securities market, a type of investment commonly referred to as a "**PIPE**" transaction, may be entered into with smaller capitalization public companies, which will entail business and financial risks comparable to those of investments in the publicly issued securities of smaller capitalization companies. Such companies may also be less likely to weather business or cyclical downturns than larger companies and are more likely to be substantially hurt by the loss of a few key personnel. In addition, PIPE transactions will generally result in the Account acquiring either restricted stock or an instrument convertible into restricted stock. As with investments in other types of restricted securities, such an investment may be illiquid. The Account's ability to dispose of securities acquired in PIPE transactions may depend on the registration of such securities for resale. Any number of factors may prevent or delay a proposed registration. Alternatively, it may be possible for securities acquired in a PIPE transaction to be resold in transactions exempt from registration in accordance with Rule 144 under the Securities Act, or otherwise under U.S. federal securities laws. There can be no guarantee that there will be an active or liquid market for the stock of any small capitalization company due to the possible small number of stockholders. As a result, even if the Account is able to have securities acquired in a PIPE transaction registered or sell such securities through an exempt transaction, the Account may not be able to sell all the securities on short notice, and the sale of the securities could lower the market price of the securities. There is no guarantee that an active trading market for the securities will exist at the time of disposition of the securities, and the lack of such a market could hurt the market value of the Account's investments.

Conflicts Relating to Investments in SPACs and PIPEs. Certain Arena SPAC Persons expect in the future to sponsor one or more SPACs, in which Arena clients will invest in the future in various capacities. A SPAC is a publicly traded company formed for the purpose of raising capital through an IPO to fund the acquisition, through a merger, capital stock exchange, asset acquisition or other similar business combination, of one or more operating businesses.

It is expected that one or more Arena SPAC Persons will sponsor one or more Related SPACs in the future. In connection with sponsoring a Related SPAC and managing the Arena clients' investments in such SPACs, Arena SPAC Persons are and will be faced with actual and potential conflicts of interest, as set out in more detail below.

For the avoidance of doubt, the Account may or may not be offered positions in such investments based on the Investment Adviser's policies.

Allocation of Time and Resources

None of the Arena SPAC Persons are required to devote any particular amount of time to the Account or any other Arena clients. The devotion of time and effort of certain Arena SPAC Persons to sponsoring any Related SPAC could be viewed as creating a conflict of interest in that the time and effort of certain Arena SPAC Persons will not be devoted exclusively to the business of the Account and the Investment Adviser but will be allocated between the business of the Account and the Investment Adviser, on the one hand, and other business activities, including the activities of such SPACs, on the other hand, including diligencing target companies and management teams and effecting a merger with a target. In addition, in connection with sponsoring any Related SPAC it is anticipated that Arena SPAC Persons may serve as directors and/or officers of such SPACs and/or any acquisition target of such SPACs that becomes publicly listed on an exchange (each such company, an "**Acquired Company**"). Arena SPAC Persons may face a conflict between the duties owed to the Account and the duties owed to such SPACs or Acquired Companies. In such circumstances, such persons may act in ways that are in the best interests of such SPACs or Acquired Companies but not the Account. For example, such SPAC may decline an opportunity to merge with a company in which the Account is invested or may merge with a company that competes directly with a company in which the Account is invested. There can be no assurance that the board membership and/or the involvement of certain Arena SPAC Persons with respect to such SPACs or Acquired Companies, in each case, will result in favorable results for the Account.

Board of Director Compensation

From time to time, Arena SPAC Persons may receive compensation (whether in the form of cash, options, warrants, stock or otherwise) in connection with serving as a director of a SPAC or an Acquired Company in which the Account is invested. With respect to any cash payments received by an Arena SPAC Person in connection with such board positions, such amounts will be applied to reduce the Management Fees paid by the Management Fee-bearing Shareholders. Any other compensation received in connection with such board positions as non-cash payments (e.g., stock, options, warrants or otherwise) will not be used to offset Management Fees and will be retained by Arena SPAC Persons. For the avoidance of doubt, only cash compensation received by Arena SPAC Persons in connection with serving as a director of a SPAC or an Acquired Company will offset Management Fees, unlike instances in which Transaction Fees are received. Given these differences, the Investment Adviser may face a conflict of interest in allocating investment opportunities of the Account.

SPAC Sponsor Economics

Certain Arena SPAC Persons expect to receive, economic benefits in connection with serving as a sponsor of a SPAC ("**Sponsor Equity**"). It is expected that with respect to any Related SPAC, certain Arena SPAC Persons will receive similar economic benefits and such economic benefits will be shared with the Arena clients only to a limited extent as determined by the sponsor of such Related SPAC in its own discretion, without the requirement of notifying the Account and/or the Limited Partners.

Account Participation in SPACs and PIPEs

In addition to receiving an allocation of Sponsor Equity with respect to a SPAC, the Account may participate in an IPO of a SPAC and to the extent there is a PIPE formed in connection with a SPAC, the Account may also participate in the associated PIPE. However, there is no guarantee that the Account will be allocated such SPAC and PIPE opportunities.

In respect of any Related SPAC, the Account and certain other Arena clients may receive an allocation of Sponsor Equity, participate in an IPO of such SPACs, enter into a forward purchase agreement with such SPACs and/or participate in any associated PIPE. By directing the Account to enter into such transactions with such SPACs and/or participate in any associated PIPE, the Investment Adviser is presented with a conflict of interest. The Investment Adviser, on the one hand, is incentivized to increase the value of any Related SPAC or Acquired Company, thus preserving the benefits associated with its Sponsor Equity, including by having the Account invest in the related PIPE, which may help fund redemptions upon a de-SPAC transaction and ensure the success of a business merger. In addition, because of the economics associated with the Sponsor Equity, the Arena SPAC Persons are incentivized to enter into a merger with any target in order to reap the benefits of the Sponsor Equity, even if the securities of the Acquired Company are not ultimately a profitable investment for the Arena clients. This may be exacerbated by the possibility that the Arena SPAC Persons could receive significant profits in respect of the Sponsor Equity, even where the Account receives only minimal or no profits in respect of its PIPE investment. Such Arena SPAC Persons, on the other hand, owe certain duties to the Account. Thus, the Investment Adviser faces a conflict of interest in determining the size and scope of the Account's investment in any Related SPAC or Acquired Company. Further, there is no guarantee that such investment in any Related SPAC or Acquired Company would have been entered into but for certain Arena SPAC Persons serving as a sponsor to such SPACs. Arena has adopted written policies and procedures to help address any actual and potential conflicts arising out of its affiliation with a SPAC and/or a PIPE.

In connection with any Related SPAC's IPO, the Account may enter into a forward purchase agreement with an issuer to participate in a private placement transaction, which would close concurrently with the initial business combination of such SPAC. The terms of such forward purchase agreement would be negotiated by the Investment Adviser, on behalf of the Account, in its discretion. Thus, the Account could be in a position of providing capital to support the Arena SPAC Persons' acquisition of Sponsor Equity with no guarantee that such capital investment will be profitable for the Account.

Potential Engagement with Issuers

In connection with its investment activities, any Related SPAC may engage with issuers in which the Arena clients invest or other companies with respect to which the Arena clients,

including the Account, transact business. There is no guarantee such engagement by such SPAC will be beneficial to the Arena clients, and the interests of the Arena clients may not be aligned in all circumstances with the interests of such SPAC with respect to any such issuers, which could create actual or potential conflicts of interest or the appearance of such conflicts for such SPAC, the Arena clients, the Investment Adviser and/or its affiliates. In that regard, actions may be taken by such SPAC that are adverse to the Account.

The Investment Adviser will allocate investment opportunities involving SPACs, SPAC IPOs and PIPE investments in accordance with its investment allocation policies and procedures then in effect.

Credit Default Swap Agreements. The Account may invest in credit default swaps. The typical credit default swap contract requires the seller to pay to the buyer, if a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. The Account may also sell credit default swaps on a basket of reference entities as part of a synthetic collateralized debt obligation transaction.

As a buyer of credit default swaps, the Account will be subject to certain risks in addition to those described elsewhere herein. In circumstances in which the Account does not own the debt securities that are deliverable under a credit default swap, the Account will be exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called "short squeeze." While the credit default swap market auction protocols reduce this risk, it is still possible that an auction will not be organized or will not be successful. In certain instances of issuer defaults or restructurings (for those credit default swaps for which restructuring is specified as a credit event), it has been unclear under the standard industry documentation for credit default swaps whether or not a "credit event" triggering the seller's payment obligation had occurred. The Credit Derivatives Determination Committees (the "**Determination Committees**") are intended to reduce this uncertainty and create uniformity across the market, although it is possible that a Determination Committee will not be able to reach a resolution or do so on a timely basis. In either of these cases, the Account would not be able to realize the full value of the credit default swap upon a default by the reference entity.

As a seller of credit default swaps, the Account will incur leveraged exposure to the credit of the reference entity and become subject to many of the same risks it would incur if it were holding debt securities issued by the reference entity. However, the Account will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity's debt obligations. In addition, the credit default swap buyer will have broad discretion to select which of the reference entity's debt obligations to deliver to the Account following a credit event and will likely choose the obligations with the lowest market value in order to maximize the payment obligations of the Account.

Counterparty risk is always present in credit default swaps, although central clearing of certain credit default swaps is intended to reduce counterparty risk by imposing the central clearing house as the counterparty to each cleared swap. The market for credit default swaps on distressed securities is not liquid (compared to the market for credit default swaps on investment grade corporate reference entities).

In addition, the proper tax treatment of credit default swaps and other derivatives may not be clear. Limited Partners generally are required to treat any such derivatives for U.S. federal income tax purposes in the same manner as they are treated by the Account. The tax environment for derivatives is evolving and changes in the taxation of derivatives may adversely affect the value of derivatives held by the Account.

Given the recent sharp increases in volume of credit derivatives trading in the market, settlement of such contracts may also be delayed beyond the time frame originally anticipated by counterparties. Such delays may adversely impact the Account's ability to otherwise productively deploy any capital that is committed with respect to such contracts.

Certain governmental entities have indicated that they intend to regulate the market in credit default swaps. It is difficult to predict the impact of any such regulation on the Account, but it may be adverse (including making the Account ineligible to be a "seller" of credit default swaps).

Total Return Swaps. The Account from time to time may invest in total return swaps. As a buyer of total return swaps, the Account will be obligated to make certain periodic payments in exchange for the total return on a referenced asset, including coupons, interest and the gain or loss on such asset over the term of the swap. The Account may be required to maintain collateral with the total return swap counterparty. If the Account fails to fulfill its payment obligations or fails to post any required collateral under a total return swap, the total return swap counterparty may declare an event of default and, as a result, the Account may be required to pay swap breakage fees, suffer the loss of the amounts paid to the counterparty and forego the receipts from the counterparty of further total return swap payments.

Over-the-Counter Derivatives Markets. The Dodd-Frank Act, enacted in July 2010, includes provisions that comprehensively regulate the OTC derivatives markets for the first time. The Dodd-Frank Act will ultimately mandate that a substantial portion of OTC derivatives must be executed in regulated markets and be submitted for clearing to regulated clearinghouses. OTC trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearinghouse, as well as possible SEC- or CFTC-mandated margin requirements. OTC derivatives dealers typically demand the unilateral ability to increase the Account's collateral requirements for cleared OTC trades beyond any regulatory and clearinghouse minimums. The regulators also have broad discretion to impose margin requirements on non-cleared OTC derivatives and new requirements will apply to the holding of customer collateral by OTC derivatives dealers. These requirements may increase the amount of collateral the Account is required to provide and the costs associated with providing it. OTC derivative dealers also are required to post margin to the clearinghouses through which they clear their customers' trades instead of using such margin in their operations, as was widely permitted before the Dodd-Frank Act. This has and will continue to increase the OTC derivative dealers' costs, and these increased costs are generally passed through to other market participants in the form of higher upfront and mark-to-market margin, less favorable trade pricing, and the imposition of new or increased fees, including clearing account maintenance fees.

With respect to cleared OTC derivatives, the Account will not face a clearinghouse directly but rather through an OTC derivatives dealer that is registered with the CFTC or SEC to act as a clearing member. The Account may face the indirect risk of the failure of another clearing member customer to meet its obligations to its clearing member. Such scenario could arise due to a default by the clearing member on its obligations to the clearinghouse, triggered by a customer's failure to meet its obligations to the clearing member.

The SEC and CFTC will also require a substantial portion of derivative transactions that were historically executed on a bi-lateral basis in the OTC markets to be executed through a regulated securities, futures, or swap exchange or execution facility. Some types of CFTC-regulated swaps (including interest rate swaps and credit default index swaps on North American and European indices) are required to be centrally cleared and exchange-traded, and additional types of swaps may be required to be centrally cleared and exchange traded in the future. In December 2019, the SEC adopted a package of rule amendments that "stood up" its regulatory regime with regard to security-based swaps became effective, and as of November 2021, security-based swap dealers will be required to register with the SEC and most of the SEC's regulations of security-based swaps come into effect. Such requirements may make it more difficult and costly for investment funds, including the Account, to enter into highly tailored or customized transactions. They may also render certain strategies in which the Account might otherwise engage impossible or so costly that they will no longer be economical to implement. If the Account decides to become a direct member of one or more of these exchanges or execution facilities, the Account would be subject to all of the rules of the exchange or execution facility, which would bring additional risks and liabilities, and potential additional regulatory requirements.

OTC derivative dealers are now required to register with the CFTC and will ultimately be required to register with the SEC. CFTC-registered swap dealers are and SEC-registered security-based swap dealers will be subject to minimum capital and margin requirements, business conduct standards, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, position limits, limitations on conflicts of interest, and other regulatory burdens. These requirements further increase the overall costs for registered swap dealers and are expected to increase the overall costs for registered security-based swap dealers, which costs may be passed along to market participants as market changes continue to be implemented. The overall impact of the Dodd-Frank Act on the Account is not yet known, and it is unclear how the OTC derivatives markets will ultimately adapt to this regulatory regime, along with additional, sometimes overlapping, regulatory requirements imposed by non-U.S. regulators.

Futures Trading. The Account may trade futures contracts, including stock index futures. Futures prices are highly volatile, with price movements being influenced by a multitude of factors such as changing supply and demand relationships, government trade, fiscal, monetary and exchange control programs and policies, national and international political and economic events and speculative frenzy and the emotions of the marketplace. In addition, governments from time to time intervene in certain markets, particularly currency and interest-rate markets.

The low margin deposits normally required in futures trading permit an extremely high degree of leverage; margin requirements for futures trading being in some cases as little as 2% of the face value of the contracts traded. Accordingly, a relatively small price movement in a futures contract may result in an immediate and substantial loss to the investor.

There can be no assurance that a liquid market will exist at a time when the Account seeks to close out an option position, future or Swap. Most U.S. commodity exchanges limit fluctuations in futures contract prices during a single day by regulations referred to as "daily limits." During a single trading day, no trades may be executed at prices beyond the daily limit.

Once the price of a futures contract has increased or decreased to the limit point, positions can be neither taken nor liquidated. Futures prices have occasionally moved to the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Account from promptly liquidating unfavorable positions and subject the Account to substantial losses. In addition, certain of these instruments are relatively new and are without a significant trading history. As a result, there is no assurance that an active secondary market will develop or continue to exist. Lack of a liquid market for any reason may prevent the Account from liquidating an unfavorable position and the Account would remain obligated to meet margin requirements until the position is closed.

The CFTC and the U.S. commodities exchanges impose limits referred to as "speculative position limits" on the maximum net long or net short speculative positions that any person may hold or control in any particular futures or options contracts traded on U.S. commodities exchanges. For example, the CFTC currently imposes speculative position limits on a number of agricultural commodities (e.g., corn, oats, wheat, soybeans and cotton) and U.S. commodities exchanges currently impose speculative position limits on many other commodities. The Dodd-Frank Act significantly expanded the CFTC's authority to impose position limits with respect to futures contracts and options on futures contracts, swaps that are economically equivalent to futures or options on futures, and swaps that are traded on a regulated exchange and certain swaps that perform a significant price discovery function. In October 2020, the CFTC adopted amendments to its position limits rules that establish certain new and amended position limits for 25 specified physical commodity futures and related options contracts traded on exchanges, other futures contracts and related options directly or indirectly linked to such 25 specified contracts, and any OTC transactions that are economically equivalent to the 25 specified contracts. The Investment Adviser will need to consider whether the exposure created under these contracts might exceed the new and amended limits in anticipation of the applicable compliance dates, and the limits may constrain the ability of the Account to use such contracts. The amendments also modify the bona fide hedging exemption for which certain swap dealers are currently eligible, which could limit the amount of speculative OTC transaction capacity each such swap dealer would have available for the Account prior to the applicable compliance date. All accounts owned or managed by the Investment Adviser are likely to be combined for speculative position limit purposes. The Account could be required to liquidate positions it holds in order to comply with such limits, or may not be able to fully implement trading instructions generated by its trading models, in order to comply with such limits. Any such liquidation or limited implementation could result in substantial costs to the Account.

Cybersecurity Breaches and Information Technology. Arena is heavily reliant on its information technology infrastructure, processes and procedures, and it has devoted significant resources to ensuring it has competitive informational technology systems. Information technology changes rapidly, however, and Arena may not be able to stay ahead of such advances. Moreover, as Arena grows, it may find itself a target of cybersecurity breaches and attacks. The Account is subject to risks associated with a breach in its cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from "hacking" by other computer users, other unauthorized access and the resulting damage and disruption of hardware and software systems, loss or corruption of data as well as misappropriation of confidential information. The computer systems, networks and devices used by Arena and service providers to Arena and the Account to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, these systems, networks, or devices potentially can be breached. Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality.

The Account could be negatively impacted as a result of a cybersecurity breach. If a cybersecurity breach occurs, the Account may incur substantial costs, including those associated with: forensic analysis of the origin and scope of the breach; increased and upgraded cybersecurity; investment losses from sabotaged trading systems; loss of data and other records; identity theft; unauthorized use of proprietary information; litigation; adverse investor reaction; the dissemination of confidential and proprietary information; and reputational damage. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to the Account; interference with Arena's ability to calculate the value of an investment in the Account; impediments to trading; the inability of Arena and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information.

Investors are advised to ensure communication methods with the Investment Adviser and any of their respective affiliates, any financial advisers or any other parties associated with the Account are secure so as to prevent fraudulent change of details or other fraudulent requests and communications from being submitted through, for example, their email accounts.

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF DISCLOSED.

Execution Version

This SUPPLEMENTAL ACKNOWLEDGMENT (this "Supplemental Acknowledgment") to the existing Investment Management Agreement between Houston Specialty Insurance Company, Imperium Insurance Company and Great Midwest Insurance Company (collectively, the "Client") and Arena Investors, LP, a Delaware limited partnership, as investment adviser (referred to herein as the "Investment Adviser") dated January 13, 2016 (as amended and supplemented from time to time, the "IMA") is entered into by and between Client and Advisor as of March 23, 2022.

The signatories below acknowledge that a discretionary Stable Income—Real Estate Credit sub-account (the "Sub-Account") has been created pursuant to the IMA that will be subject to the terms, investment guidelines and fees described below. Capitalized terms not otherwise defined herein have the meanings set forth in the IMA.

Client and Investment Adviser previously entered into a separate agreement–that certain Investment Management Agreement, dated March 1, 2017, which was replaced by the Amended and Restated Investment Management Agreement, dated April 1, 2020 (the "Former Investment Management Agreement"). The Former Investment Management Agreement governed the terms and conditions between Client and Investment Adviser in relation to the Stable Income—Real Estate Credit Sub-Account. Client and Investment Adviser hereby agree that the Former Investment Management Agreement is terminated and shall no longer be in effect upon the execution by Client and Investment Adviser of this Supplemental Acknowledgment; and henceforth, this Supplemental Acknowledgment together with the IMA shall govern the relationship and terms and conditions between Client and Investment Adviser for the Stable Income— Real Estate Credit Sub-Account.

1. Funding Terms

The Sub-Account was funded through a commitment of $50 million (the "Initial Commitment") by the Client on or about March 1, 2017 (the "Effective Date"). The Client shall maintain such Sub-Account and shall make capital available to the Investment Adviser. The assets in such Sub-Account, as altered from time to time by the investment, reinvestment or disposition thereof, are collectively referred to herein as the "Sub-Account Assets." On five (5) business days' notice the Client will advance funds to such accounts as the Investment Adviser shall designate for the purpose of investing in Sub-Account Assets, provided, however, that at no point shall the net asset value of the Account Assets exceed $50 million plus the amount of net profits retained in the Account less net losses suffered by the Account less the amounts distributed to the Client and withdrawn from the Account pursuant to Section 7(a) of the IMA less the amounts paid to the Investment Adviser for fees and costs.

2. Investment Guidelines: The Investment Adviser's management of the Sub-Account will be consistent with the investment guidelines set forth below.

Table A – Portfolio - Overall Risk Tolerance	**Limits**
Duration -Weighted Average Effective Range	1-5
Credit Quality- Weighted Average Minimum	BB-

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All ratings criteria in this document will be applied using the NAIC method as follows:

(i) For a security rated by one NRSRO, it will be assigned that rating;
(ii) If a security is rated by two NRSROs, then the lowest rating will be assigned.
(iii) If a security is rated by three or more NRSROs, then the Bloomberg Composite[1] Rating will be assigned.
(iv) Securities that are rated higher by the NAIC due to cost basis treatment will be rated as follows: AA for NAIC 1, BBB for NAIC 2, BB for NAIC 3, B for NAIC 4, and CCC for NAIC 5.
(v) Securities with credit ratings with + or -, or numerical qualifier shall be deemed to be within the letter rating class shown, unless specifically indicated elsewhere in this Investment Policy. For example, a BBB minimum indication shall include BBB3 and BBB- securities.
(vi) For weight averaging calculation refer to Table D "Credit Rating Numerical Conversion"

Table B - Fixed Income - Asset Class Diversification	*Maximum of Invested Assets*
Short Term Investments with an original maturity of not more than one year (Minimum Credit Quality A1/P1)	100%
U.S. Government & Full-faith and credit Agency Obligations	100%
Non full-faith and credit U.S. Agency Obligations	100%
Mortgage Related Securities, including mortgage loans and mortgage pools with the following sub limits (excluding full faith & credit)	100%
- U.S. Agency Backed - Residential	100%
- Non-Agency Backed - Residential	100%
- U.S. Agency Backed - Commercial	100%
- Non-Agency Backed – Commercial (must be in compliance with Texas code detailed in Table B)	100%
- Total Agency and Non-Agency Backed - Commercial (including commercial loans)	100%
Asset-Backed Securities (Inclusive of all non-Collateralized Loan Obligations Asset-Backed Securities)	100%
-Collateralized Loan Obligation tranches	50%
-Rated BBB and Below Collateralized Loan Obligation tranches	25%
Public & 144A Corporate Securities including Convertible Securities	100%
Bank Debt – Originated Secondary (First Lien)	100%
-Second Lien	25%
Traditional Rated Private Placements	60%
Preferred Stocks including Convertible Securities	10%

[1] Bloomberg Composite Rating - The rating agencies (Moody's, Fitch, Standard & Poor's and Dominion Bond Rating Service Ltd) are evenly weighted when calculating the composite. The Bloomberg Composite is the average of existing ratings, rounded down to the lower rating if the composite is between two ratings.

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Investments not specifically permitted in Table B are prohibited without prior written approval of the Investment Committee.

Table C- Issuer Diversification – excluding U.S. Government, Agency and Government sponsored MBS & Debentures		
Asset Class	**Rating Agency/NAIC**	**% of Invested Assets (Limit by Issuer)**
Corporate Bonds (Including Traditional Rated Privates), Mortgage Backed Securities, Asset Backed (excluding CLO) and Commercial Mortgage Backed Securities (Investment must be domiciled in US or Canada or have NAIC 1 or 2 rating)	AAA/1 AA/1 A/1 BBB/2 BB/3 B/4 CCC/5	20.0% 15.0% 10.0% 10.0% 10.0% 10.0% 10.0%
Collateralized Loan Obligations	AAA/1 AA/1 A/1 BBB/2 BB/3	18.0% 10.0% 10.0% 10.0% 10.0%
Commercial Mortgage Loan First Liens Under Section 424.066 of the Texas Insurance Code (Code), an insurer may invest funds, in excess of minimum capital and surplus, in a bond, note or evidence of indebtedness that is secured by a valid first lien on real property located in the United States. Loan to Value shall not exceed 90% and value must be determined by an outside appraisal. An insurer's single obligation may not exceed 10% of the insurer's capital and surplus and an insurer's aggregate investments may not exceed 30% of the insurer's assets. Loan secured by a valid first lien on real property located in the United States.	BBB/2	15.0%

Table D - Credit Rating Numerical Conversion			
Tsy	**1**	**BB+**	**12**
Agy	**2**	**BB**	**13**
AAA	**2**	**BB-**	**14**
AA+	**3**	**B+**	**15**
AA	**4**	**B**	**16**
AA-	**5**	**B-**	**17**
A+	**6**	**CCC+**	**18**
A	**7**	**CCC**	**19**
A-	**8**	**CCC-**	**20**
BBB+	**9**	**CC**	**21**
BBB	**10**	**C**	**22**
BBB-	**11**	**DDD**	**23**

3. Fees.

The fees for the Sub-Account shall be as set forth in the Fee Exhibit attached hereto.

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4. Indemnity.

In addition to the terms set forth in the indemnification provisions set forth in Section 8 of the IMA, the parties agree that: (a) the Investment Adviser shall indemnify the Client against any liabilities, claims and expenses reasonably incurred by Client in connection with the defense or disposition of any suit in which Client is involved as a party if such suit is reasonably related to the Investment Adviser's violation of its Standard of Care; and (b) all determinations with respect to indemnification hereunder shall be made by a final decision on the merits by a court or other body before whom the proceeding was brought that the Client is liable or not liable for any acts or omissions in connection with this Agreement. All determinations to advance payment in connection with the expense of defending any proceeding shall be made in accordance with Section 8(b) of the IMA.

5. Confidentiality.

In addition to the confidentiality terms set forth in Section 10 of the IMA, the parties agree that before any disclosure of information otherwise subject to Section 10 of the IMA on the grounds that such information is required by law, the Investment Adviser, to the extent permitted under such applicable law or regulatory authority, shall so inform the Client and shall give the Client, to the greatest extent reasonably permitted and practicable, an opportunity to seek appropriate protection of such confidential information.

6. Termination Upon Withdrawals.

Notwithstanding the language in Section 7 of the IMA, unless the Investment Adviser determines otherwise, any withdrawal that would bring the Sub-Account balance below the lesser of (i) $10,000,000 and (ii) 20% of the net asset value of the Sub-Account Assets as of the last month end before the Withdrawal Date shall be deemed a termination of the IMA with respect to the Sub-Account.

7. Representations, Warranties and Covenants.

Each of the Client's representations, warranties and covenants will be deemed repeated and reaffirmed (including with respect to the authorization of the Custodian by the Client to pay the Management Fees and Performance Fes directly to the Investment Adviser) as of the date this Supplemental Acknowledgement is executed.

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IN WITNESS WHEREOF, the parties hereto have caused the foregoing Supplemental Acknowledgment to be executed as of the date first stated above.

HOUSTON SPECIALTY INSURANCE COMPANY

By: /s/ Kevin Westervelt
Name: Kevin Westervelt
Authorized Signatory

IMPERIUM INSURANCE COMPANY

By: /s/ Kevin Westervelt
Name: Kevin Westervelt
Authorized Signatory

GREAT MIDWEST INSURANCE COMPANY

By: /s/ Kevin Westervelt
Name: Kevin Westervelt
Authorized Signatory

ARENA INVESTORS, LP

By: /s/ Lawrence Cutler
Name: Lawrence Cutler
Authorized Signatory

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Execution Version

FEE EXHIBIT FOR INITIAL COMMITMENT

I. Management Fee.

A monthly management fee of [***]% ([***]% per annum) of the net asset value of the Sub-Account shall be payable to the Investment Adviser on the first day of each month as discussed in Exhibit A (the "Management Fee").

II. Performance Fee.

Further for its services hereunder, the Investment Adviser will calculate amounts as of (A) the end of each Fiscal Year (*i.e.,* December 31st) and (B) each Withdrawal Date, solely with respect to the amounts then withdrawn, [***]% (the "Performance Fee") of any excess as of such date of the Closing Sub-Account Balance, *over* (x) the Opening Sub-Account Balance (including for both the Opening and Closing Sub-Account Balances the balance attributable to any Set Aside Portions) as of the beginning of the current Fiscal Year (or, the Effective Date, as applicable); *provided*, however, that the Performance Fee shall not be paid unless the Sub-Account has earned the Hurdle from the date of the last payment of a Performance Fee (or for the first payment date from the Effective Date of the Sub-Account), it being the intention that if the Sub-Account has earned the Hurdle the Investment Adviser shall accrue a full Performance Fee on all of the net profits of the Sub-Account.[1] If the Hurdle has not been met for any Fiscal Period, no Performance Fee shall be paid for that Fiscal Period and entitlement to a Performance Fee shall be subject to meeting the Hurdle from the date a prior Performance Fee was paid or for the first payment date from the Effective Date of the Sub-Account. For these purposes:

"Closing Sub-Account Balance" means (i) for any Fiscal Period ending on December 31st or upon the date of termination of the Agreement, the Sub-Account balance as of the last business day of such Fiscal Period (as adjusted for any contributions or withdrawals during such period) or (ii) for any Fiscal Period ending as of a Withdrawal Date, the Sub-Account balance attributable to the amount of such withdrawal as of such Withdrawal Date.

"Fiscal Period" means the period beginning on the first business day of each calendar year (or the Effective Date for the first Fiscal Period) and ending on the earlier of the last business day of such calendar year (or the date of termination for the last Fiscal Period of the Sub-Account) and each Withdrawal Date.

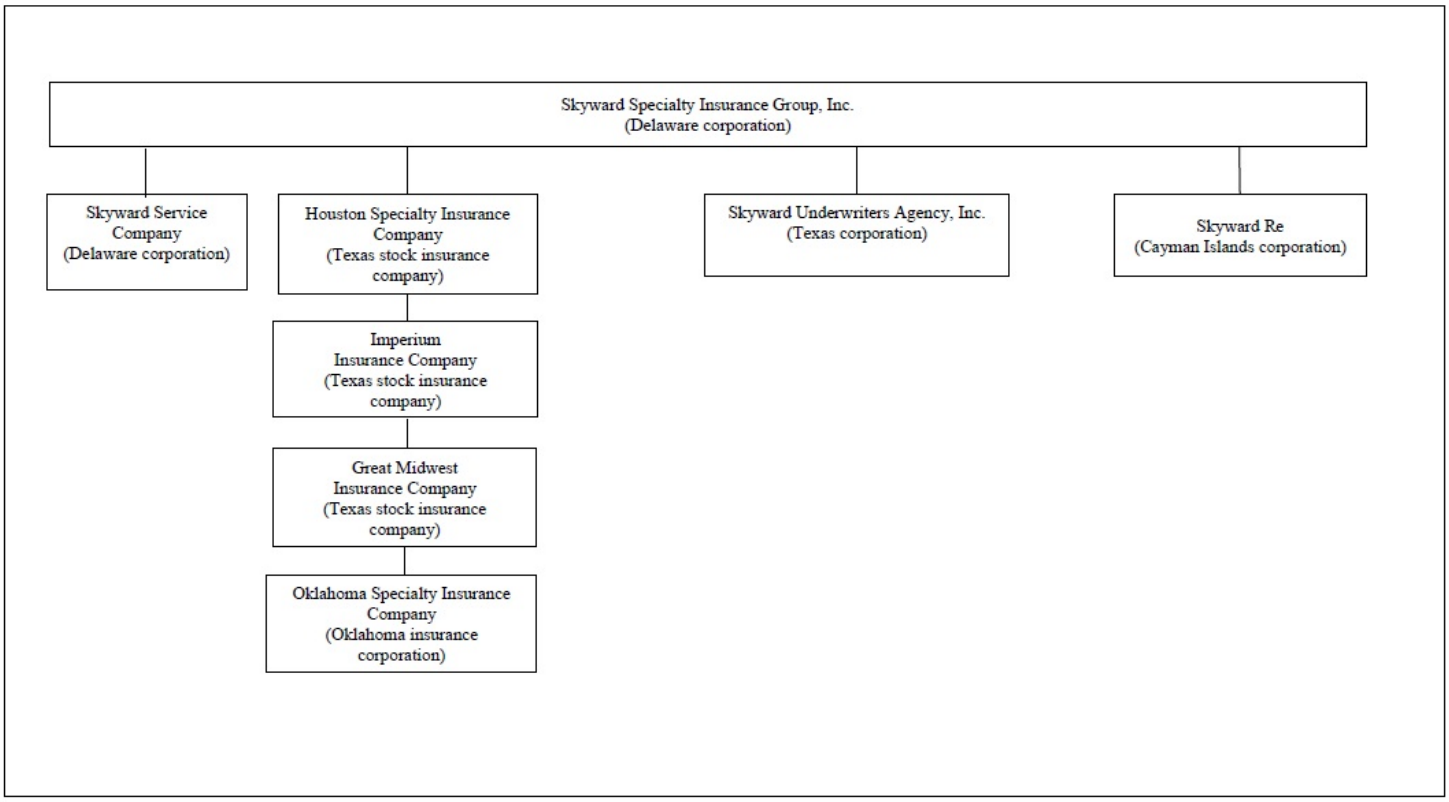
"Hurdle" means a [***]% per annum increase in the actual Sub-Account value on any Fiscal Period end date above the net asset value as of the immediately preceding Fiscal Period end as to which a Performance Fee was paid (or for the first payment date from the Effective Date of the Sub-Account), as adjusted in good faith to eliminate the effect of additions to and withdrawals from the Sub-Account. Upon any withdrawal request from the Sub-Account, the Hurdle will be reduced pro rata based on the percentage of the Sub-Account sought to be withdrawn.

"Opening Sub-Account Balance" means (i) for any Fiscal Period beginning as of the Effective Date or the first business day of any calendar year, the Sub-Account balance as of such beginning date or (ii) for any Fiscal Period measured in connection with a withdrawal, the portion of the Sub-Account balance as of such beginning date attributable to the amount of such withdrawal.

[1] Note that this does not include new capital contributions, as clarified in the definition of Closing Sub-Account Balance.

Exhibit 21.1

SKYWARD SPECIALTY INSURANCE GROUP, INC.
ORGANIZATION CHART



As of January 31, 2022

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption "Experts" and to the use of our reports dated April 19, 2022 (except Note 27, as to which the date is December XX, 2022), in the Registration Statement (Form S-1) and related Prospectus of Skyward Specialty Insurance Group, Inc. dated November 14, 2022.

Ernst & Young LLP

Houston, Texas

The foregoing consent is in the form that will be signed upon the completion of the reverse stock split described in Note 27 to the consolidated financial statements.

/s/ Ernst & Young LLP

Houston, Texas

November 14, 2022

Exhibit 107

Calculation of Filing Fee Tables

Form S-1

(Form Type)

Skyward Specialty Insurance Group, Inc.

(Exact Name of Registrant as Specified in its Charter)

Table 1: Newly Registered Securities

	Security Type	Security Class Title	Fee Calculation or Carry Forward Rule	Maximum Aggregate Offering Price[1][2]	Fee Rate	Amount of Registration Fee
			Newly Registered Securities			
Fees to Be Paid	Equity	Common Stock, par value $0.01 per share	Rule 457(o)	$ 100,000,000	0.0000927	$ 9,270.00
	Total Offering Amounts			$ 100,000,000		$ 9,270.00
	Total Fees Previously Paid					—
	Total Fee Offsets					—
	Net Fee Due			$ 100,000,000		$ 9,270.00

(1) Includes offering price of any additional shares that the underwriters have the option to purchase.
(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended.