
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2016

OR

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

For the transition period from _____ to _____
Commission file number 001-37536

Conifer Holdings, Inc.

(Exact name of registrant as specified in its charter)

Michigan

(State or other jurisdiction of
incorporation or organization)

27-1298795

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

550 West Merrill Street, Suite 200

Birmingham, Michigan

(Address of principal executive offices)

48009

(Zip code)

(248) 559-0840

(Registrant's telephone number, including area code)

Not Applicable

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller
reporting company)

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

The number of outstanding shares of the registrant's common stock, no par value, as of March 10, 2017, was 7,633,070.

CONIFER HOLDINGS, INC. AND SUBSIDIARIES

Form 10-K

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CONIFER HOLDINGS, INC. AND SUBSIDIARIES

PART I

ITEM 1. BUSINESS

Legal Organization

Conifer Holdings, Inc. (Nasdaq: CNFR) is a Michigan-domiciled insurance holding company formed in 2009. Our principal executive offices are located at 550 W. Merrill, Suite 200, Birmingham, MI 48009 (telephone number: (248) 559-0840). Our corporate website address is www.cnfrh.com.

As used in this Form 10-K, references to "Conifer," "Conifer Holdings," "the Company," "our Company," "we," "us," and "our" refer to Conifer Holdings, Inc., a Michigan corporation, and its wholly owned subsidiaries Conifer Insurance Company ("CIC"), Red Cedar Insurance Company ("RCIC"), White Pine Insurance Company ("WPIC"), American Colonial Insurance Services ("ACIS") and Sycamore Insurance Agency, Inc. ("SIA"). CIC, RCIC and WPIC are collectively referred to as the "Insurance Company Subsidiaries." On a stand-alone basis Conifer Holdings, Inc is referred to as the "Parent Company." On December 30, 2016, the Company's wholly owned subsidiary, American Colonial Insurance Company ("ACIC") was merged into WPIC.

Business Overview

Through our Insurance Company Subsidiaries, we offer insurance coverage in both specialty commercial and specialty personal product lines. Currently, we are authorized to write insurance as an excess and surplus lines ("E&S") carrier in 44 states, we are licensed to write insurance in 40 states as an admitted carrier and we offer our insurance products in all 50 states.

Many of our products are targeted to traditionally profitable classes of policyholders that we believe are underserved by other insurers. We market and sell these insurance products through a growing network of over 6,300 independent agents that distribute our policies through their approximately 2,200 sales offices. We are focused on growing our business in non-commoditized property and casualty insurance markets, while maintaining underwriting discipline and a conservative investment strategy.

We have substantial expertise in serving the unique commercial insurance needs of owner-operated businesses in the following markets:

- Hospitality, such as restaurants, bars, taverns, and bowling centers (that require, among other lines, liquor liability insurance), as well as small grocery and convenience stores;
- Artisan contractors, such as plumbers, painters, carpenters, electricians and other independent contractors; and
- Security service providers, such as companies that provide security guard services, security alarm products and services, and private investigative services.

In our commercial lines business, we seek to differentiate ourselves and provide value to small business owner-operators by bundling different insurance products that meet a significant portion of their insurance needs. For example, in the hospitality market we offer property, casualty, and liquor liability, as well as, in some jurisdictions, workers' compensation coverage. The breadth of our specialty commercial insurance products enables our small business customers, many of whom do not have dedicated risk management personnel, and their agents to save the administrative costs and time required to seek coverage for these items from separate insurers. As such, we compete for commercial lines business based on our flexible product offerings and customer service, rather than on pricing alone. Our target commercial lines customer has an average account size of \$4,500 in premium.

We also have substantial expertise in providing specialty homeowners insurance products to targeted customers that are often underserved by other homeowners insurance carriers. Our personal lines products primarily include the following:

- Low-value dwelling insurance tailored for owners of lower valued homes, which we currently offer in Illinois, Indiana, Louisiana and Texas; and
- Wind-exposed catastrophe coverage, including hurricane and wind coverage, to under-served homeowners in Hawaii, Texas and Florida.

In our personal lines business, we target homeowners in need of specific catastrophe coverage or dwelling insurance that are currently underserved by the insurance market, due to the modest value of their homes or the exposure to natural catastrophes in their geographic area. Because these homeowners are underserved, this portion of the market is typically subject to less pricing pressure from larger nationwide insurers that offer a more commoditized

product. We believe our underwriting expertise enables us to compete effectively in these markets by evaluating and appropriately pricing risk. In addition, we believe our willingness to meet these underserved segments of the personal lines insurance market fosters deeper relationships with, and increased loyalty from, the agents who distribute our products. Our target personal lines customer has an average account size of \$1,100 in premium.

Overall, we seek multi-line distribution of our premiums earned between commercial and personal lines to better diversify our business and mitigate the potential cyclical nature of either market.

Geographic Diversity and Mix of Business

While we pursue top line premium growth, we do not do so at the expense of losing underwriting discipline. Our underwriters have the experience and institutional flexibility to recognize when to exit certain products in favor of more profitable opportunities as insurance market conditions dictate. The following tables summarize our gross written premiums by segment and state for the years indicated therein (dollars in thousands):

	Gross Written Premium by Segment					
	2016	%	2015	%	2014	%
Commercial	\$ 88,242	77%	\$ 68,197	73%	\$ 55,056	66%
Personal	26,681	23%	25,553	27%	28,791	34%
Total	\$ 114,923	100%	\$ 93,750	100%	\$ 83,847	100%

	Gross Written Premiums by State					
	2016	%	2015	%	2014	%
Florida	\$ 23,910	20.7%	\$ 23,048	24.6%	\$ 24,295	29.2%
Michigan	17,572	15.4%	16,074	17.1%	14,373	17.1%
Texas	12,993	11.3%	10,381	11.1%	7,987	9.5%
Pennsylvania	10,718	9.3%	12,931	13.8%	12,316	14.7%
Indiana	4,582	4.0%	6,068	6.5%	6,644	7.9%
Hawaii	3,885	3.4%	2,661	2.8%	274	0.3%
Ohio	3,556	3.1%	3,693	3.9%	2,966	3.5%
Montana	3,041	2.6%	2,945	3.1%	2,423	2.9%
Colorado	2,544	2.2%	1,249	1.3%	120	0.1%
Illinois	1,786	1.6%	2,453	2.6%	4,015	4.8%
West Virginia	1,715	1.5%	1,518	1.6%	1,298	1.5%
All Other States	28,621	24.9%	10,729	11.6%	7,136	8.5%
Total	\$ 114,923	100.0%	\$ 93,750	100.0%	\$ 83,847	100.0%

The Conifer Approach

We have built our business in a manner that is designed to adapt to changing market conditions and deliver predictable results over time. The following highlights key aspects of our model that contribute to our balanced approach:

- *Focus on under-served markets.* We focus on providing specialty insurance products to targeted policyholders in under-served markets. We believe that most of our small business customers, many of which are owner-operated, value the efficiency of dealing with a single insurer for multiple products. By targeting small- to medium-sized accounts, we add value to the business owner directly without competing solely on price.
- *Strong relationships with our agents.* We develop strong relationships with our independent agents and provide them with competitive products to offer policyholders, responsive service and attractive commissions. We believe our agents understand that we view them as key partners in risk selection that help us serve our ultimate client—the insured.

- *Deep understanding of the business and regulatory landscapes of our markets.* The competition for insurance business and the regulatory operating environment vary significantly from state to state. Our business plan includes identification of market opportunities in jurisdictions where due to regulatory conditions, our insurance products can profitably suit the needs of our potential customers. We focus on tailoring our business to concentrate on the geographic markets and regulatory environments with the greatest opportunities for growth and profitability.
- *Emphasis on flexibility.* We offer coverage to our insureds both on an E&S and admitted basis. We believe this flexibility enables us to pivot effectively between E&S and admitted policies as customer needs and regulatory conditions dictate.
- *Conservative risk management with an emphasis on lowering volatility.* We focus on the risk/reward of insurance underwriting, while maintaining a prudent investment policy. We employ conservative risk management practices and opportunistically purchase reinsurance to minimize our exposure to liability for individual risks. In addition, we seek to maintain a diversified liquid investment portfolio to reduce overall balance sheet volatility. As of December 31, 2016, our investments primarily consisted of fixed income investments with an average credit rating of “AA” and an average duration of 3.2 years.

Our Competitive Strengths

We believe the following competitive strengths have allowed us to grow our business and will continue to support our strategic growth initiatives:

- *Talented underwriters with broad expertise.* Our underwriters have significant experience managing account profitability across market cycles. With an average of over 26 years of experience, our senior underwriters possess the required expertise to respond appropriately to market forces.
- *Controlled and disciplined underwriting.* We underwrite substantially all policies to our specific guidelines with our experienced, in-house underwriting team. We customize the coverages we offer, and continually monitor our markets and respond to changes in our markets by adjusting our pricing, product structures and underwriting guidelines. By tailoring the terms and conditions of our policies, we align our actual underwriting risk with the profit of each insurance account that we write.
- *Proactive claims handling.* We have a proactive claims handling philosophy that utilizes an internal team of experienced in-house attorneys to manage and supervise our claims from inception until resolution. We pay what we owe, contest what we don't, and make sound judgment for those claims that fall in between. Our proactive handling of claims reinforces our relationships with our customers and agents by demonstrating our willingness to defend our insureds aggressively and help them mitigate losses.
- *Proven management team.* Our senior management team has an average of over 22 years of experience in the insurance industry. Our senior management team has successfully created, managed and grown numerous insurance companies and books of business, and has longstanding relationships with many independent agents and policyholders in our targeted markets.
- *Ability to leverage technology to drive efficiency.* As a relatively new insurance company, we are not burdened with inefficient legacy systems. We utilize a web-based information technology system that creates greater organizational efficiency in our company. Leveraging the infrastructure of programmers and support staff of third-party vendors allows our in-house business analysts to focus on new product development and roll-out. We believe this capability reduces our time to market for new products, enhances services for insureds, increases our ability to capture data, and reduces cost.

Marketing and Distribution

Independent agents are our main distribution source. The selection of an insurance company by a business or individual is strongly influenced by the business or individual's agent. We seek to maintain favorable relationships with our select group of agents. Our distribution philosophy is to treat our agents as partners, and we provide them with competitive products, personal service and attractive commissions. We believe these factors contribute to our positive agency retention.

In 2016, our top six select agencies, including affiliated agencies, accounted for approximately 59% of our gross written premiums in our commercial lines, and our top four select agencies, including affiliated agencies accounted for approximately 52% of our gross written premiums in our personal lines. We have long term relationships with each of these agencies. We anticipate our concentration in these agencies will decrease in future periods as we establish relationships with additional agencies, as part of our strategic growth plan. Our Insurance Company Subsidiaries market and distribute their products mainly through an independent agency network, but we do utilize a few managing general agents and certain key wholesalers when appropriate.

We pay competitive commissions in accordance with the custom of the marketplace. We recruit our producers through referrals from our existing network of agents, word-of-mouth, advertisement, as well as direct contacts initiated by potential agents. Our marketing efforts are directed through our offices in Michigan, Florida, Pennsylvania, Tennessee and Texas.

We view our agents as key partners in risk selection. We actively solicit their input regarding potential improvements to our business methods and consult with them in developing new commercial products and entering new customer markets. At the same time, we take careful measure to appropriately control and monitor our agents' operations. Controls include frequent review of the quality of business, loss experience and other mechanisms. We retain sole binding authority on the majority of our business. Binding authority is only granted to select long-term agents. When binding authority is granted, we restrict such authority to a specific set of guidelines that are provided to agents beforehand and our underwriters review each risk to ensure the guidelines are followed.

In addition to marketing to individual agents, we formed Sycamore Insurance Agency to review specific opportunities to write select business on a direct basis. SIA also owns 50% of a small insurance agency that places small commercial risks, mainly for alarm and security guard markets.

Underwriting

We are focused on underwriting profitability and effective enterprise risk management. With an average of over 26 years of experience, our senior underwriters have the experience to properly manage account profitability across market cycles.

Our focus in the hospitality industry centers on small to medium-sized businesses. Our underwriting philosophy for our specialty commercial risks in this industry is to look at each risk individually and selectively before writing any policies. We remain focused on the small to medium-sized, well operated business, where the owner is often on site and in a better position to efficiently and safely run the overall operations. We understand the risks associated with the smaller enterprises and, due to lighter competition, believe we can receive a fair premium to compensate for the risk taken.

With respect to property coverages, particularly for the commercial lines, we believe it is important to focus on the profitability of the insureds' business, as well as the traditional risk factors. Therefore, in addition to obtaining inspections on commercial packages written, we strive to understand the insureds' business operations and bottom line to verify the underlying business is an acceptable risk.

All commercial and personal policy applications are underwritten according to established guidelines that have been provided to our independent agency force. These guidelines have been integrated into our information technology system framework and only policies that meet our guidelines are accepted by our system. Our underwriting staff has substantial industry experience in matching policy terms, conditions, and pricing to the risk profiles of our policyholders and therefore strengthens our ability to achieve profitability in the product lines we write.

Commercial Lines. In writing commercial lines policies, we frequently employ tailored limiting endorsements, rating surcharges and customized limits to align our product offerings to the risk profile of the class and the specific policyholder being underwritten. Furthermore, we consistently monitor our markets so that we are able to quickly implement changes in pricing, underwriting guidelines and product offerings as necessary to remain competitive. We do not pursue commercial product lines where competition is based primarily on price. We augment our own internally developed pricing models with benchmark rates and policy terms set forth by the Insurance Services Office, or ISO. The ISO system is a widely recognized industry resource for common and centralized rates and forms. It provides advisory ratings, statistical and actuarial services, sample policy provisions and other services to its members.

Personal Lines. We employ internal product managers to review our position relative to our competition, create better segmentation of pricing and originate premium rate changes as appropriate. Consistent with industry practice, we grant our personal lines agents limited binding authority within our specific guidelines. Once a completed application and premium payment are submitted to us, the application is bound but still reviewed for final approval. If the agent has underwritten and submitted the account according to our guidelines, we process the application as complete. If our guidelines have not been followed, the application may be cancelled or updated and re-submitted for further underwriting review. If the agent does not submit the minimum down payment, we allow for a specific notice and cure period, then process or cancel as appropriate.

Claims

We believe that effective claims management is vitally important to our success, allowing us to cost effectively pay valid claims, while vigorously defending those claims that lack merit. Our claims department consists of experienced claims professionals located in Michigan, Florida, Pennsylvania and Tennessee. We utilize a proactive claims handling philosophy and seek to internally manage or supervise all of our claims from inception until settlement. By handling our claims internally, we can quickly assess claims, improve communication with our policyholders and claimants and better control our claims management costs.

We have several in-house attorneys with considerable legal experience in trying cases in the lines of business upon which we concentrate. Included among these attorneys is our head in-house litigator, who consults on all trials and has 23 years of litigation experience. We also have numerous seasoned property and liability adjusters which allow us to manage our claims exposures more carefully, across all markets. In addition, our claims professionals utilize a network of independent local adjusters and appraisers to assist with specific aspects of claims investigations, such as securing witness statements and conducting initial appraisals in states where it is practical to do so. These outside vendors are compensated based on pre-negotiated fee schedules to control overall costs.

Claims personnel are organized by line of business, with specific managers assigned as supervisors for each line of business. Reserving and payment authority levels of claims personnel are set by our Senior Vice President of claims and our Executive Vice President. Those limits of authority are integrated into our claims information technology systems to ensure strict compliance.

Initial claim reserves are determined and set using our statistical averages of paid indemnity and loss adjustment expenses by line of business. After reviewing statistical data and consulting with our internal actuary, our senior vice president of claims, together with other members of management, set initial reserves by line of business. Once initial reserves have been set, reserves are evaluated periodically as specific claim information changes to generate management's overall best estimate of reserves. In addition, claim reviews with in-house adjusters and attorneys provide a regular opportunity to review the adequacy of reserves. Changes to claims reserves are made by senior management based on claim developments and input from these attorneys and adjusters. We utilize an in-house, experienced and fully credentialed actuary to support our financial efforts. A full ground-up reserve analysis is completed in the third quarter of each year, with a roll forward to a final reserve review for year-end.

Reinsurance

We routinely purchase reinsurance for our commercial and personal lines to reduce volatility by limiting our exposure to large losses and to provide capacity for growth. In a reinsurance transaction, an insurance company transfers, or cedes, all or part of its exposure in return for a portion of the premium. We remain legally responsible for the entire obligation to policyholders, irrespective of any reinsurance coverage we may purchase.

Information relating to our reinsurance structure and treaty information is included within Note 6 ~ *Reinsurance* of the Notes to the Consolidated Financial Statements.

Loss Reserve Development

The following table presents the development of our loss and loss adjustment expenses ("LAE") reserves from 2009 through 2016, net of reinsurance recoverables (dollars in thousands).

	Year Ended December 31,							
	2009	2010	2011	2012	2013	2014	2015	2016
Net liability for losses and loss expenses	\$ 911	\$ 18,795	\$ 17,164	\$ 17,547	\$ 24,956	\$ 28,307	\$ 30,017	\$ 47,993
Liability re-estimated as of:								
One year later	\$ 764	16,565	12,807	13,508	23,763	29,321	40,238	
Two years later	593	13,071	9,870	13,601	25,521	33,274		
Three years later	495	10,300	10,038	13,821	26,560			
Four years later	452	10,698	10,064	13,860				
Five years later	434	10,926	10,227					
Six years later	434	11,215						
Seven years later	434							
Net cumulative redundancy (deficiency)	\$ 477	\$ 7,580	\$ 6,937	\$ 3,687	\$ (1,604)	\$ (4,967)	\$ (10,221)	
Cumulative amount of net liability paid as of:								
One year later	\$ 253	\$ 4,112	\$ 3,383	\$ 5,186	\$ 13,245	\$ 16,091	\$ 20,020	
Two years later	315	6,277	6,092	9,106	19,711	24,060		
Three years later	426	8,302	7,917	11,444	23,241			
Four years later	434	9,372	8,788	13,015				
Five years later	434	9,971	9,730					
Six years later	434	10,799						
Seven years later	434							
Gross liability-end of year	911	32,047	29,574	24,843	28,908	31,531	35,422	54,651
Reinsurance recoverable on unpaid losses	—	13,252	12,410	7,296	3,952	3,224	5,405	6,658
Net liability-end of year	911	18,795	17,164	17,547	24,956	28,307	30,017	47,993
Gross liability re-estimated-latest	434	21,316	17,849	19,579	31,475	36,909	49,398	
Reinsurance recoverable on unpaid losses re-estimated-latest	—	10,101	7,622	5,719	4,915	3,635	9,160	
Net liability re-estimated-latest	434	11,215	10,227	13,860	26,560	33,274	40,238	
Gross cumulative redundancy (deficiency)	\$ 477	\$ 10,731	\$ 11,725	\$ 5,264	\$ (2,567)	\$ (5,378)	\$ (13,976)	

Data from 2009 relates only to American Equable, Inc., which is now known as CIC and the 2010 data column includes CIC and WPIC. The 2011 and 2012 data columns include CIC and WPIC. The 2013, 2014, 2015, and 2016 data columns include all Insurance Company Subsidiaries.

The first line of the table presents the unpaid loss and LAE reserves at December 31 for each year, including the incurred but not reported ("IBNR") reserve. The next section of the table sets forth the re-estimates of incurred losses from later years, including payments, for the years indicated. The increase/decrease from the original estimate would generally be a combination of factors, including, but not limited to:

- Claims being settled for amounts different from the original estimates;
- Reserves being increased or decreased for individual claims that remain open as more information becomes known about those individual claims; and
- More or fewer claims being reported after the related year end, than had been expected to be reported before that date.

As our historical data for a particular line of business increases, both in terms of the number of years of loss experience and the size of our data pool, we will increasingly rely upon our own loss experience rather than industry loss experience in

establishing our loss and LAE reserves. We plan to continue to apply reserving practices consistent with historical methodologies.

Additional information relating to our reserves is included within the *Losses and Loss Adjustment Expenses* section of Note 1 ~ *Summary of Significant Accounting Policies* and Note 5 ~ *Unpaid Losses and Loss Adjustment Expenses* of the Notes to the Consolidated Financial Statements, as well as in the *Critical Accounting Policies ~ Unpaid Losses and Loss Adjustment Expenses* section of Item 7, *Management's Discussion and Analysis*.

Regulation

Insurance Company Regulation

Our Insurance Company Subsidiaries are subject to regulation in the states where they conduct business. State insurance regulations generally are designed to protect the interests of policyholders, state insurance consumers or claimants rather than shareholders or other investors. The nature and extent of such state regulation varies by jurisdiction, but generally involves:

- Prior approval of the acquisition of control of an insurance company or of any company controlling an insurance company;
- Regulation of certain transactions entered into by such insurance company subsidiary with any of its affiliates;
- Approval of premium rates, forms and policies used for many lines of insurance;
- Standards of solvency and minimum amounts of capital and surplus that must be maintained;
- Limitations on types and concentration of investments;
- Licensing of insurers and agents;
- Deposits of securities for the benefit of policyholders; and
- The filing of periodic reports with state insurance regulators with respect to financial condition and other matters.

In addition, state regulatory examiners perform periodic examinations of our Insurance Company Subsidiaries. The results of these examinations can give rise to regulatory orders requiring remedial, injunctive or other corrective action.

Insurance Holding Company Regulation

We operate as an insurance holding company and are subject to regulation in the jurisdictions in which we conduct business. These regulations require that each of our Insurance Company Subsidiaries 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. The insurance laws similarly provide that all transactions among members of a holding company system must be fair and reasonable. Certain types of transactions between our Insurance Company Subsidiaries and the Company and our other affiliates generally must be disclosed to the state regulators, and prior approval of the applicable state insurance regulator generally is required for any material or extraordinary transaction. In addition, a change of control of a domestic insurer or of any controlling person requires the prior approval of the state insurance regulator.

Various State and Federal Regulation

Insurance companies are also affected by a variety of state and federal legislative and regulatory measures and judicial decisions that define and extend the risks and benefits for which insurance is sought and provided. In addition, for some classes of insureds individual state insurance departments may prevent premium rates for some classes of insureds from reflecting the level of risk assumed by the insurer for those classes. Such developments may adversely affect the profitability of various lines of insurance. In some cases, if permitted by applicable regulations, these adverse effects on profitability can be minimized through repricing of coverages or limitations or cessation of the affected business.

Reinsurance Intermediary

Our reinsurance intermediaries are also subject to regulation. Under applicable regulations, an intermediary is responsible, as a fiduciary, for funds received on account of the parties to the reinsurance transaction. The intermediaries are required to hold such funds in appropriate bank accounts subject to restrictions on withdrawals and prohibitions on commingling.

Licensing and Agency Contracts

We, or certain of our designated employees, must be licensed to act as agents by state regulatory authorities in the states in which we conduct business. Regulations and licensing laws vary in individual states and are often complex.

Insurance licenses are issued by state insurance regulators upon application and may be of perpetual duration or may require periodic renewal. There are often requirements to obtain appropriate new licenses before we can begin writing or offer new coverages in a new state. The requirements are more stringent when writing on an admitted basis, as opposed to E&S where there is greater form and rate flexibility.

Insurers operating on an admitted basis must file premium rate schedules and policy or coverage forms for review and approval by the insurance regulators. In many states, rates and policy forms must be approved prior to use, and insurance regulators have broad discretion in judging whether an insurer's rates are adequate, not excessive and not unfairly discriminatory.

The applicable licensing laws and regulations in all states are subject to amendment or reinterpretation by state regulatory authorities, and such authorities are vested in most cases with relatively broad discretion as to the granting, revocation, suspension and renewal of licenses. We, or our employees, could be excluded, or temporarily suspended, from continuing with some or all of our activities in, or otherwise subjected to penalties by, a particular state.

Membership in Insolvency Funds and Associations, Mandatory Pools and Insurance Facilities

Most states require admitted property and casualty insurers to become members of insolvency funds or associations, which generally protect policyholders against the insolvency of insurers. Members of the fund or association must contribute to the payment of certain claims made against insolvent insurers. The Company's assessments from insolvency funds were minimal for the years ended December 31, 2016, 2015, and 2014.

Our Insurance Company Subsidiaries are also required to participate in various mandatory insurance facilities or in funding mandatory pools, which are generally designed to provide insurance coverage for consumers who are unable to obtain insurance in the voluntary insurance market. Among the pools participated in are those established in certain states to provide windstorm and other similar types of property coverage. These pools typically require all companies writing applicable lines of insurance in the state for which the pool has been established to fund deficiencies experienced by the pool based upon each company's relative premium writings in that state, with any excess funding typically distributed to the participating companies on the same basis. To the extent that reinsurance treaties do not cover these assessments, they may have an adverse effect on the Company. For the years ended December 31, 2016, 2015 and 2014, total assessments paid to all such facilities were minimal.

Restrictions on Dividends and Risk-Based Capital

For information on Restrictions on Dividends and Risk-based Capital that affect us please refer to Note 9 ~ *Statutory Financial Data, Risk-Based Capital and Dividend Restrictions* of the Notes to the Consolidated Financial Statements and the *Regulatory and Rating Issues* section within Item 7, *Management's Discussion and Analysis*.

NAIC-IRIS Ratios

The National Association of Insurance Commissioners' ("NAIC") Insurance Regulatory Information System ("IRIS") was developed by a committee of state insurance regulators and is primarily intended to assist state insurance departments in executing their statutory mandates to oversee the financial condition of insurance companies operating in their respective states. IRIS identifies thirteen industry ratios and specifies "usual values" for each ratio. Departure from the usual values on four or more ratios generally leads to inquiries or possible further review from individual state insurance commissioners. However, the generation of ratios outside of the usual values does not necessarily indicate a financial problem. For example, premium growth, alone, can trigger one or more unusual values. Refer to the *Regulatory and Rating Issues* section within Item 7, *Management's Discussion and Analysis*.

Effect of Federal Legislation

The Terrorism Risk Insurance Act, ("TRIA"), was enacted in November 2002. After several extensions, Congress enacted the Terrorism Risk Insurance Program Reauthorization of 2015 ("Act"). The Act extends the Federal Terrorism Insurance Program until December 31, 2020. The Act continues to require insurance companies to offer terrorism coverage. There is minimal exposure to this coverage as most of our policyholders decline this coverage option.

Employees

At December 31, 2016, we had 146 employees. Substantially all of our employees are full-time. 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.

Effective March 13, 2017, the Company entered into employment agreements (the "Employment Agreements") with each of Mr. James G. Petcoff, the Company's Chairman and CEO, Mr. Brian J. Roney, the Company's President, Mr. Nicholas J. Petcoff,

the Company's Executive Vice President, and Mr. Andrew D. Petcoff, the Company's Senior Vice President. The Employment Agreements are the same except for the individuals' titles and annual base salaries, which are \$550,000 for Mr. James G. Petcoff, \$425,000 for Mr. Brian J. Roney, \$425,000 for Mr. Nicholas J. Petcoff and \$375,000 for Mr. Andrew D. Petcoff. The initial term for each of the Employment Agreements ends on March 13, 2018, with unlimited one-year automatic extensions unless the Employee gives written notice of non-extension, not less than 30 days prior to the expiration of the term, or the Company gives written notice of non-extension prior to the expiration of the term. The Employment Agreements provide for an annual base salary, participation in the annual bonus plan, participation in any long-term incentive plan made generally available to senior executive officers of the Company and other fringe benefits and perquisites as are generally made available to the Company's executives.

If any of the executives' employment is terminated for cause, the executive will receive the accrued and unpaid portion of base salary. If any of the executives' employment is terminated due to death or permanent disability, the executive (or his legal representative or beneficiary) will receive the accrued and unpaid portion of base salary and any earned but not yet paid incentive awards for already completed years or award cycles. If any of the executives' employment is terminated without cause or if he terminates his employment for good reason (assuming the change of control provisions below do not apply), the executive will receive the accrued and unpaid portion of base salary, any earned but not yet paid incentive awards for already completed years or award cycles, plus one times his annual base salary. In addition, any unvested equity awards will immediate vest. If any of the executives' employment is terminated without cause (other than due to death or permanent disability) or he terminates such employment for good reason, in each case within 24 months after a change of control, the executive will receive the accrued and unpaid portion of base salary, any earned but not yet paid incentive awards for already completed years or award cycles and 2.99 times the sum of (i) his annual base salary and (ii) the greater of his annual target bonus or his average bonus for the prior three years. In addition, any unvested equity awards will immediate vest.

The employment agreements also provide for confidentiality and non-solicitation provisions, the latter for one year after termination of employment.

Available Information

We maintain an internet website at <http://www.cnfrh.com>, where we make available, free of charge, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Statements of Beneficial Ownership (Forms 3, 4, and 5), and any amendments to those reports, as soon as reasonably practicable after we electronically file such material with, or furnish to, the SEC. In addition, the SEC maintains an Internet site that contains reports, proxy statements, and other information that we file at www.sec.gov. The public may read and copy any materials we file with the Commission at the SEC's Public Reference Room at 100 F Street, NE., Washington, DC 20549, on official business days during the hours of 10 a.m. to 3 p.m. The public may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. Information found on our website or any other website is not part of this annual report on Form 10-K or any other report we file with, or furnish to the SEC.

Glossary

Accident year	The annual calendar accounting period in which loss events occurred, regardless of when the losses are actually reported, booked or paid.
Accident year combined ratio	The accident year combined ratio is an insurance industry measure that excludes changes in net ultimate loss estimates from prior accident year loss reserves. The accident year combined ratio provides management with an assessment of the specific policy year's profitability (which matches policy pricing with related losses) and assists management in their evaluation of product pricing levels and quality of business written. Management uses accident year combined ratio as one component to assess the Company's current year performance and as a measure to evaluate, and if necessary, adjust current year pricing and underwriting.
Adjusted operating income (loss)	Net income (loss) excluding the after-tax impact of net realized investment gains (losses), other gains (losses), the tax effect of changes in unrealized gains (to the extent included in net income), and cumulative effect of changes in accounting principles when applicable.
Adjusted operating income (loss), per share	Adjusted operating income (loss) on a per share basis.
Amended Credit Agreement / Amended and Restated Credit Agreement	The Amended and Restated Credit Agreement, dated September 29, 2014, is between the Company and Comerica Bank, N.A. (refer to the exhibits hereto, as amended from time to time). The Agreement defines our credit facility and its terms; it has since been amended (refer to the exhibit listing for details of the term changes, maturity dates, etc.).
A.M. Best's Capital Adequacy Ratio (BCAR)	An integrated review of underwriting, financial and asset leverage. BCAR calculates the net required capital to support the financial risks of the company associated with the exposure of assets and underwriting to adverse economic and market conditions, and compares it to economic capital.
Assignment of Benefits	A legal tool that allows a third party to be paid for services performed for an insured homeowner who would normally be reimbursed by the insurance company directly after making a claim.
Book value per share	Total common shareholders' equity divided by the number of common shares outstanding.
Case reserves	Claim department estimates of anticipated future payments to be made on each specific individual reported claim.
Combined Ratio based on accounting principles generally accepted in the United States of America ("GAAP")	The statutory combined ratio is modified to reflect GAAP accounting, as management evaluates the performance of our underwriting operations using the GAAP combined ratio. Specifically, the GAAP combined ratio is the sum of the loss and LAE ratio, plus the ratio of GAAP underwriting expenses (which include the change in deferred policy acquisition costs) to net earned premiums (expense ratio).
Combined Ratio based on statutory accounting practices ("SAP")	The combined loss and expense ratio (or combined ratio), expressed as a percentage, is the key measure of underwriting profitability traditionally used in the property and casualty insurance business. The combined ratio is a statutory accounting measurement, which represents the sum of (i) the ratio of losses and loss expenses to net earned premiums (loss ratio), plus (ii) the ratio of underwriting expenses to net written premiums (expense ratio).
Combined Ratio (Overall)	When the combined ratio is under 100%, underwriting results are generally considered profitable; when the combined ratio is over 100%, underwriting results are generally considered unprofitable.

Deferred policy acquisition costs	Primarily commissions and premium-related taxes that vary with, and are primarily related to, the production of new contracts and are deferred and amortized to achieve a matching of revenues and expenses when reported in financial statements prepared in accordance with GAAP.
Deficiency	With regard to reserves for a given liability, a deficiency exists when it is estimated or determined that the reserves are insufficient to pay the ultimate settlement value of the related liabilities. Where the deficiency is the result of an estimate, the estimated amount of deficiency (or even the finding of whether or not a deficiency exists) may change as new information becomes available.
Expense Ratio	For GAAP, it is the ratio of GAAP underwriting expenses incurred to net earned premiums. For SAP, it is the ratio of Statutory underwriting expenses incurred to net written premiums.
Incurred but not reported (IBNR) reserves	Reserves for estimated losses and LAE that have been incurred but not yet reported to the insurer. This includes amounts for unreported claims, development on known cases, and re-opened claims.
Loss	An occurrence that is the basis for submission and/or payment of a claim. Losses may be covered, limited or excluded from coverage, depending on the terms of the policy.
Loss adjustment expenses (LAE)	The expenses of settling claims, including legal and other fees and the portion of general expenses allocated to claim settlement costs.
Loss and LAE ratio	The ratio of incurred losses and loss adjustment expenses to net earned premiums.
Loss reserves	Liabilities established by insurers and reinsurers to reflect the estimated cost of claims incurred that the insurer or reinsurer will ultimately be required to pay in respect of insurance or reinsurance it has written. Reserves are established for losses and for LAE, and consist of case reserves and IBNR reserves. As the term is used in this document, “loss reserves” is meant to include reserves for both losses and LAE, unless stated otherwise.
Loss reserve development	The increase or decrease in incurred claims and claim adjustment expenses as a result of the re-estimation of claims and claim adjustment expense reserves at successive valuation dates for a given group of claims. Loss reserve development may be related to prior year or current year development.
Losses incurred	The total losses sustained by an insurance company under a policy or policies, whether paid or unpaid. Incurred losses include a provision for IBNR.
NAIC-IRIS ratios	Financial ratios calculated by the NAIC to assist state insurance departments in monitoring the financial condition of insurance companies.
Policyholders' surplus	As determined under SAP, the amount remaining after all liabilities, including loss reserves, are subtracted from all admitted assets. Admitted assets are assets of an insurer prescribed or permitted by a state to be recognized on the statutory balance sheet. Policyholders' surplus is also referred to as “surplus” or “statutory surplus” for statutory accounting purposes.
Premium leverage ratio (Gross / Net)	The ratio of gross / net written premium to consolidated statutory surplus.
Redundancy	With regard to reserves for a given liability, a redundancy exists when it is estimated or determined that the reserves are greater than what will be needed to pay the ultimate settlement value of the related liabilities. Where the redundancy is the result of an estimate, the estimated amount of redundancy (or even the finding of whether or not a redundancy exists) may change as new information becomes available.
Risk-Based Capital (RBC)	A measure adopted by the NAIC and enacted by states for determining the minimum statutory policyholders' surplus requirements of insurers. Insurers having total adjusted capital less than that required by the RBC calculation will be subject to varying degrees of regulatory action depending on the level of capital inadequacy.
Statutory accounting practices (SAP)	The practices and procedures prescribed or permitted by domiciliary state insurance regulatory authorities in the United States for recording transactions and preparing financial statements. Statutory accounting practices generally reflect a modified going concern basis of accounting.
Underwriting gain or loss	Net earned premiums less losses, LAE, commissions, and operating expenses.

ITEM 1A. RISK FACTORS

Summary Risk Factors

You should read the following risk factors carefully in connection with evaluating our business and the forward-looking information contained in this Annual Report on Form 10-K. Any of the following risks could materially and adversely affect our business, operating results, financial condition and the actual outcome of matters as to which forward-looking statements are made in this Annual Report on Form 10-K. While we believe we have identified and discussed below the key risk factors affecting our business, there may be additional risks and uncertainties that are not presently known or that are not currently believed to be significant that may adversely affect our business, operating results or financial condition in the future.

Industry Risks

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

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

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

Among the uncertainties we encounter in establishing our reserves for losses and related expenses in connection with our insurance businesses are as follows:

- When we write "occurrence" policies, we are obligated to pay covered claims, up to the contractually agreed amount, for any covered loss that occurs while the policy is in force. Accordingly, claims may arise many years after a policy has lapsed;
- Even when a claim is received (irrespective of whether the policy is a "claims-made", which requires claims to be reported during the policy period, or "occurrence" basis form), it may take considerable time to fully appreciate the extent of the covered loss suffered by the insured and, consequently, estimates of loss associated with specific claims can increase over time;
- New theories of liability are enforced retroactively from time to time by courts;
- Volatility in the financial markets, economic events, weather events and other external factors may result in an increase in the number of claims and the severity of the claims reported. In addition, elevated inflationary conditions would, among other things, drive loss costs to increase;
- If claims became more frequent, even if we had no liability for those claims, the cost of evaluating these potential claims could escalate beyond the amount of the reserves we have established. If we enter new lines of business, or encounter new theories of claims liability, we may encounter an increase in claims frequency and greater claims handling costs than we had anticipated; and
- Estimation of incurred but not reported ("IBNR") losses is a complex and inherently uncertain process which involves a considerable degree of judgment and expertise, which adds to the overall difficulty of estimating loss reserves.

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

Severe weather conditions and other catastrophes are inherently unpredictable and may have a material adverse effect on our financial results and financial condition.

Our property insurance business is exposed to the risk of severe weather conditions and other catastrophes. Catastrophes can be caused by various events, including natural events such as hurricanes, winter weather, tornadoes, windstorms, earthquakes, hailstorms, severe thunderstorms, fires and other non-natural events such as explosions or riots. Additionally, as we continue to grow our homeowners line of business in Florida, Hawaii, Texas and other catastrophe exposed states, our risks related to hurricanes and other tropical storms increase.

The incidence and severity of catastrophes and severe weather conditions are inherently unpredictable. The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Severe weather conditions and catastrophes can cause greater losses in our property lines and cause our liquidity and financial condition to deteriorate. 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 operation.

Part of our growth strategy involves expansion into areas with a history of severe catastrophic events, the occurrence of which could have a materially adverse effect on our business, financial condition, and results of operations.

Part of our growth strategy has involved expanding our specialty property and casualty lines of business into states such as Hawaii, Florida, and Texas that have historically experienced severe catastrophic events such as hurricanes, tornados, and other severe weather events. Generally, while we believe that geographic diversification and disciplined underwriting will mitigate our overall exposure, severe weather events are inherently unpredictable. Contemporaneous or near contemporaneous catastrophic events across these geographies, each of which has a history of severe catastrophic events, would have a materially adverse effect on our business, financial condition, and results of operations. In addition, as a result of current industry non-weather factors, such as the increase in litigation surrounding the Assignment of Benefits claims and lawsuits in Florida, in particular, we began significantly reducing our overall homeowners' exposure in Florida.

The property and casualty insurance business is historically cyclical in nature, and we may experience periods with excess underwriting capacity and unfavorable premium rates, which could adversely affect our business.

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

We cannot predict with certainty whether market conditions will improve, remain constant or deteriorate. Negative market conditions may impair our ability to underwrite insurance at rates we consider appropriate and commensurate relative to the risk assumed. If we cannot underwrite insurance at appropriate rates, our ability to transact business will be materially and adversely affected. Any of these factors could lead to an adverse effect on our business, financial condition and results of operations.

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

In general, the premiums for our insurance policies are established at the time a policy is issued and, therefore, before all of our underlying costs are known. Like other insurance companies, we rely on estimates and assumptions in setting our premium rates. Establishing adequate premium rates is necessary, together with investment income, to generate sufficient revenue to offset losses, LAE and other underwriting costs and to earn a profit. If we do not accurately assess the risks that we underwrite, we may not charge adequate premiums to cover our losses and expenses, which would adversely affect our results of operations and our profitability. Alternatively, we could set our premiums too high, which could reduce our competitiveness and lead to lower revenues.

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

- Collect and properly analyze a substantial volume of data from our insureds;

- Develop, test and apply appropriate actuarial projections and rating formulas;
- Closely monitor and timely recognize changes in trends; and
- Project both frequency and severity of our insureds' losses with reasonable accuracy.

We seek to implement our pricing accurately in accordance with our assumptions. Our ability to undertake these efforts successfully and, as a result, accurately price our policies, is subject to a number of risks and uncertainties, including:

- Insufficient or unreliable data;
- Incorrect or incomplete analysis of available data;
- Uncertainties generally inherent in estimates and assumptions;
- Our failure to implement appropriate actuarial projections and rating formulas or other pricing methodologies;
- Regulatory constraints on rate increases; and
- Our failure to accurately estimate investment yields and the duration of our liability for loss and loss adjustment expenses, as well as unanticipated court decisions, legislation or regulatory action.

We operate in a highly competitive environment and we may not continue to be able to compete effectively against larger or more well-established business rivals.

We compete with a large number of other companies in our selected lines of business. Many of our competitors are substantially larger and may enjoy better name recognition, substantially greater financial resources, higher financial strength ratings by rating agencies, broader and more diversified product lines and more widespread agency relationships than us. Insurers in our markets generally compete on the basis of price, consumer recognition, coverages offered, claims handling, financial stability, customer service and geographic coverage. Although pricing is influenced to some degree by that of our competitors, it is not in our best interests to compete solely on price, and we may from time-to-time experience a loss of market share during periods of intense price competition. A number of new, proposed or potential legislative or industry developments could further increase competition in our industry including, but not limited to:

- An increase in capital-raising by companies in our lines of business, which could result in new entrants to our markets and an excess of capital in the industry;
- The deregulation of commercial insurance lines in certain states and the possibility of federal regulatory reform of the insurance industry, which could increase competition from standard carriers for our E&S lines of insurance business; and
- Changing practices caused by the Internet may lead to greater competition in the insurance business. Among the possible changes are shifts in the way in which admitted and E&S insurance is purchased. If our distribution model was to be significantly altered by changes in the way admitted and E&S risks were marketed, including, without limitation, through use of the Internet, it could have a material adverse effect on our premiums, underwriting results and profits.

There is no assurance that we will be able to continue to compete successfully in the insurance market. Increased competition in our market could result in a change in the supply and/or 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.

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 infrequency or severity of claims and premium defaults or both, 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 all affect the business and economic environment in which we operate. 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 revenues, the demand for insurance products is 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, including with respect to 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 with us. Existing policyholders may exaggerate or even falsify claims to obtain higher claims payments. These outcomes would reduce our underwriting profit to the extent these factors are not reflected in the rates we charge.

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.

As a holding company which owns insurance companies domiciled in the United States, we and our admitted Insurance Company Subsidiaries are subject to extensive regulation, primarily by Michigan (the domiciliary state for CIC and WPIC) and to a lesser degree, the other jurisdictions in which we operate. Most insurance regulations are designed to protect the interests of insurance policyholders, as opposed to the interests of shareholders. These regulations generally are administered by a department of insurance in each state and relate to, among other things, authorizations to write certain lines of business, capital and surplus requirements, reserve requirements, rate and form approvals, investment and underwriting limitations, affiliate transactions, dividend limitations, cancellation and non-renewal of policies, changes in control, solvency and a variety of other financial and non-financial aspects of our business. These laws and regulations are regularly re-examined and any changes in these laws and regulations or new laws may be more restrictive, could make it more expensive to conduct business or otherwise adversely affect our operations. State insurance departments also conduct periodic examinations of the affairs of insurance 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 or other constraints that could adversely affect our ability to achieve some or all of our business objectives.

In addition, regulatory authorities 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 are generally 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, insurance regulatory authorities could preclude or temporarily suspend us from carrying on some or all of our activities or otherwise penalize us. This could adversely affect our ability to operate our business.

The admitted market is subject to more state regulation than the E&S market, particularly with regard to rate and form filing requirements, restrictions on the ability to exit lines of business, premium tax payments and membership in various state associations, such as guaranty funds. Some states have deregulated their commercial insurance markets. We cannot predict the effect that further deregulation would have on our business, financial condition or results of operations.

The NAIC has developed a system to test the adequacy of statutory capital of U.S.-based insurers, known as Risk-Based Capital ("RBC"), that many states have adopted. This system establishes the minimum amount of RBC necessary for a company to support its overall business operations. It identifies property-casualty insurers that may be inadequately capitalized by looking at certain inherent risks of each insurer's assets and liabilities and its mix of net written premiums. Insurers falling below a calculated threshold may be subject to varying degrees of regulatory action, including supervision, rehabilitation or liquidation. Failure to maintain adequate risk-based capital at the required levels could adversely affect the ability of our Insurance Company Subsidiaries to maintain regulatory authority to conduct their business.

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

In 2012, the NAIC also adopted the Risk Management and Own Risk and Solvency Assessment Model Act (the "ORSA Model Act"). The ORSA Model Act, when adopted by the various states, will require an insurance holding company system's Chief Risk Officer to submit annually to its lead state insurance regulator an Own Risk and Solvency Assessment Summary Report ("ORSA"). The ORSA is a confidential internal assessment appropriate to the nature, scale and complexity of an insurer, conducted by that insurer of the material and relevant risks identified by the insurer associated with an insurer's current business plan and the sufficiency of capital resources to support those risks. The ORSA Model Act must be adopted by the individual state legislature and insurance regulators in order to be effective. While Michigan has not formally passed the ORSA requirement, Michigan has implemented a form "F" filing requirement that is the initial response to the ORSA Model Act.

We cannot predict the impact, if any, that the NAIC Amendments, compliance with the ORSA Model Act or any other regulatory requirements may have on our business, financial condition or results of operations.

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

Market disruptions like those experienced during the credit-driven financial market collapse in 2008, as well as the dramatic increase in the capital allocated to alternative asset management during recent years, have led to increased governmental as well as self-regulatory scrutiny of the insurance industry in general. In addition, certain legislation proposing greater regulation of the industry is periodically considered by governing bodies of some jurisdictions, and the credit-driven equity market collapse may increase the likelihood that some increased regulation of the industry is mandated.

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 and corporate governance. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) also established the Federal Insurance Office, which is authorized to study, monitor and report to Congress on the insurance industry and to recommend that the Financial Stability Oversight Council (the “FSOC”) designate an insurer as an entity posing risks to U.S. financial stability in the event of the insurer’s material financial distress or failure. In December 2013, the Federal Insurance Office issued a report on alternatives to modernize and improve the system of insurance regulation in the United States, including increasing national uniformity through either a federal charter or effective action by the states. Any additional regulations established as a result of the Dodd-Frank Act or actions in response to the Federal Insurance Office Report could increase our costs of compliance or lead to disciplinary action. In addition, legislation has been introduced from time to time that, if enacted, could result in the federal government assuming a more direct role in the regulation of the insurance industry, including federal licensing in addition to or in lieu of state licensing and reinsurance for natural catastrophes. We are unable to predict whether any legislation will be enacted or any regulations will be adopted, or the effect any such developments could have on our business, financial condition or results of operations.

It is impossible to predict what, if any, changes in the regulations applicable to us, the markets in which we operate, trade and invest or the counterparties with which we do business may be instituted in the future. Any such regulation could have a material adverse impact on our business.

The effect of emerging claim and coverage issues on our business is uncertain.

As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues may adversely affect our business by either broadening coverage beyond our underwriting intent or by increasing the number or size 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.

Three examples of unanticipated risks that have affected the overall insurance industry are:

- Apportionment of liability for ground settlement assigned to subcontractors who may have been involved in mundane tasks (such as installing sheetrock in a home);
- Court decisions, such as the 1995 Montrose decision in California that read policy exclusions narrowly so as to expand coverage, thereby requiring insurers to create and write new exclusions; and
- Asbestos liability applied to manufacturers of products and contractors who installed those products.

While not all of these examples have directly affected our business, similarly disruptive unanticipated risks could arise in the select markets in which we compete, and would have a disproportionate and adverse effect on our financial condition and results of operations.

Risks Relating to Our Business

We may not be able to manage our growth effectively.

We intend to continue to grow our business, which could require additional capital, systems development and skilled personnel. We cannot assure you that we will be able to locate profitable business opportunities, meet our capital needs, expand our systems and our internal controls effectively, allocate our human resources optimally, identify qualified employees or agents or incorporate effectively the components of any businesses we may acquire in our effort to achieve growth. The failure

to manage our growth effectively and maintain underwriting discipline could have a material adverse effect on our business, financial condition and results of operations.

Our investment portfolio is subject to significant market and credit risks, which could result in an adverse impact on our financial condition or results of operations.

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 particular securities.

The value of our investment portfolio is subject to the risk that certain investments may default or become impaired due to deterioration in the financial condition of one or more issuers of the securities held, or due to deterioration in the financial condition of an insurer that guarantees an issuer's payments of such investments. Such defaults and impairments could reduce our net investment income and result in realized investment losses.

Risks for all types of securities are managed through 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 guidelines established by the NAIC and various state insurance departments, as applicable.

A severe economic downturn could cause us to incur substantial realized and unrealized investment losses in future periods, which would have an adverse impact on our financial condition, results of operations, debt and financial strength ratings, Insurance Company Subsidiaries' capital liquidity and ability to access capital markets.

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 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.

A decline in our financial strength rating may result in a reduction of new or renewal business.

Participants in the insurance industry use ratings from independent ratings agencies, such as A.M. Best Company, Inc. ("A.M. Best") and Demotech, Inc. ("Demotech"), as an important means of assessing the financial strength and quality of insurers. In setting their ratings, both A.M. Best and Demotech utilize a quantitative and qualitative analysis of a company's balance sheet strength, operating performance and business profile. These analyses include comparisons to peers and industry standards as well as assessments of operating plans, philosophy and management. For A.M. Best, the ratings range from A++, or superior, to F for in liquidation. Demotech's ratings range from "A" (unsurpassed) to M (moderate). As of the date of this Form 10-K, A.M. Best has assigned financial strength ratings of B++ to CIC (the fifth highest rating level out of sixteen rating levels) and B+ for WPIC (the sixth highest out of sixteen). A rating of B++ for CIC and a rating of B+ for WPIC means A.M. Best considers both companies to have a "good" ability to meet their ongoing insurance obligations, i.e., to pay claims. Both CIC, WPIC are rated "A" by Demotech (the third highest rating level out of six rating levels) as of the date of this Form 10-K. A financial stability rating of "A" from Demotech indicates "exceptional" financial stability related to maintaining surplus at an acceptable level.

A.M. Best and Demotech assign ratings that are intended to provide an independent opinion of an insurance company's ability to meet its obligations to policyholders and such ratings are not evaluations directed to investors. A.M. Best and Demotech periodically review our ratings and may revise them downward or revoke them at their sole discretion based primarily on their analyses of our balance sheet strength (including capital adequacy and loss and loss adjustment expense reserve adequacy), operating performance and business profile. Factors that could affect such analyses include but are not limited to:

- If we change our business practices from our organizational business plan in a manner that no longer supports A.M. Best's or Demotech'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
- If A.M. Best or Demotech 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 rating. A downgrade of our rating could cause our current and future agents, retail brokers and insureds to choose other, more highly-rated competitors. A downgrade of this rating could also increase the cost or reduce the availability of reinsurance to us.

In addition, in view of the earnings and capital pressures recently 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 and may increase the capital and other requirements employed in the rating organizations' models for maintenance of certain ratings levels. 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. A downgrade or withdrawal of any rating could severely limit or prevent us from writing new and renewal insurance contracts. A downgrade of our rating by A.M. Best could also have adverse consequences under our credit agreement.

We may be unable to obtain reinsurance coverage at reasonable prices or on terms that provide us adequate protection.

We purchase reinsurance in many of our lines of business to help manage our exposure to insurance risks that we underwrite and to reduce volatility in our results.

The availability and cost of reinsurance are subject to prevailing market conditions, both in terms of price and available capacity, each of which can affect our business volume and profitability. The availability of reasonably affordable reinsurance is a critical element of our business plan. One important way we utilize reinsurance is to reduce volatility in claims payments by limiting our exposure to losses from large risks. Another way we use reinsurance is to purchase substantial protection against concentrated losses when we enter new markets. As a result, our ability to manage volatility and avoid significant losses, expand into new markets or grow by offering insurance to new kinds of enterprises may be limited by the unavailability of reasonably priced reinsurance. We may not be able to obtain reinsurance on acceptable terms or from entities with satisfactory creditworthiness. In such event, if we are unwilling to accept the terms or credit risk of potential reinsurers, we would have to reduce the level of our underwriting commitments, which would reduce our revenues.

Many reinsurance companies have begun to exclude certain coverages from, or alter terms in, the reinsurance contracts we enter into with them. Some exclusions relate to risks that we cannot in turn exclude from the policies we write due to business or regulatory constraints. In addition, reinsurers are imposing terms, such as lower per occurrence and aggregate limits, on direct insurers that do not wholly cover the risks written by these direct insurers. As a result, we, like other direct insurance companies, 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. For example, certain reinsurers have excluded coverage for terrorist acts or priced such coverage at unreasonably high rates.

If we are unable to retain key management and employees or recruit other qualified personnel, we may be adversely affected.

We believe that our future success depends, in large part, on our ability to retain our experienced management team and key employees, particularly our chairman and chief executive officer, James G. Petcoff. There can be no assurance that we can attract and retain the necessary employees to conduct our business activities on a timely basis or at all. Our competitors may offer more favorable compensation arrangements to our key management or employees to incentivize them to leave our Company. Furthermore, our competitors may make it more difficult for us to hire their personnel by offering excessive compensation arrangements to certain employees to induce them not to leave their current employment and bringing litigation against employees who do leave (and possibly us as well) to join us. We do not have employment agreements with any of our executive officers or employees. The loss of any of our executive officers or other key personnel, or our inability to recruit and retain additional qualified personnel as we grow, could materially and adversely affect our business and results of operations, and could prevent us from fully implementing our growth strategies.

We, or agents we have appointed, may act based on inaccurate or incomplete information regarding the accounts we underwrite, or such agents may exceed their authority or commit fraud when binding policies on our behalf.

We, and our very select few managing general agencies and other agents who have the ability to bind our policies, rely on information provided by insureds or their representatives when underwriting insurance policies. While we may make inquiries to validate or supplement the information provided, we may make underwriting decisions based on incorrect or incomplete information. It is possible that we will misunderstand the nature or extent of the activities or facilities and the corresponding extent of the risks that we insure because of our reliance on inadequate or inaccurate information. If any such agents exceed their authority or engage in fraudulent activities, our financial condition and results of operations could be adversely affected.

We may be adversely affected by interest rate changes .

Our investment portfolio is predominantly comprised of fixed income securities. These securities are sensitive to changes in interest rates. An increase in interest rates typically reduces the fair market value of fixed income securities. In addition, if

interest rates decline, investment income earned from future investments in fixed income securities will be lower. We generally hold our fixed income securities to maturity, so our interest rate exposure does not usually result in realized losses. However, as noted above, rising interest rates could result in a significant reduction of our book value. A low investment yield environment could adversely impact our net earnings, as a result of fixed income securities maturing and being replaced with lower yielding securities which impact investing results.

Interest rates are highly sensitive to many factors beyond our control including general economic conditions, governmental monetary policy, and political conditions. As discussed above, fluctuations in interest rates may adversely impact our business. See “*Item 7A. Qualitative and Quantitative Disclosures About Market Risk*” for further discussion on interest rate risk.

Our ability to meet ongoing cash requirements, service debt and pay dividends may be limited by our holding company structure and regulatory constraints restricting dividends or other distributions by our Insurance Company Subsidiaries.

We are a holding company that transacts the majority of our business through our Insurance Company Subsidiaries. Our ability to meet our obligations on our outstanding debt, and to pay our expenses and shareholder dividends, depends upon the dividend paying capacity of our Insurance Company Subsidiaries. We will be limited by the earnings of our Insurance Company Subsidiaries, and the distribution or other payment of such earnings to it in the form of dividends, loans, advances or the reimbursement of expenses. Payments of dividends to us by our Insurance Company Subsidiaries are subject to various business considerations and restricted by state insurance laws, including laws establishing minimum solvency and liquidity thresholds, and could be subject to revised restrictions in the future. The ability to pay ordinary and extraordinary dividends must be reviewed in relation to the impact on key financial measurement ratios, including RBC ratios and A.M. Best's Capital Adequacy Ratio (“BCAR”). The Insurance Company Subsidiaries’ ability to pay future dividends without advance regulatory approval is dependent upon maintaining a positive level of unassigned surplus, which in turn, is dependent upon the Insurance Company Subsidiaries generating net income. As a result, at times, we may not be able to receive dividends from our Insurance Company Subsidiaries in amounts necessary to meet our debt obligations, to pay shareholder dividends on our capital stock or to pay corporate expenses. Therefore, the inability of our Insurance Company Subsidiaries to pay dividends or make other distributions could have a material adverse effect on our business and financial condition.

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

Our future capital requirements depend on many factors, including our ability to write new and renewal business successfully and to establish premium rates and reserves at levels sufficient to cover losses. Our ability to underwrite depends largely upon the expected quality of our claims paying process and our perceived financial strength as estimated by potential insureds, agents, brokers, other intermediaries and independent rating agencies. To the extent that our existing capital is insufficient to fund our future operating requirements, cover claim losses, or satisfy ratings agencies in order to maintain a satisfactory rating, we may need to raise additional capital in the future through offerings of debt or equity securities or otherwise to:

- Fund liquidity needs caused by underwriting or investment losses;
- Replace capital lost in the event of significant reinsurance losses or adverse reserve developments;
- Satisfy letters of credit or guarantee bond requirements that may be imposed by our clients or by regulators;
- Meet rating agency or regulatory capital requirements; or
- Respond to competitive pressures.

Any equity or debt financing, if available at all, may be on terms that are unfavorable to us. Further, any additional capital raised through the sale of equity could dilute your ownership interest in the Company and may cause the value of our shares to decline. Additional capital raised through the issuance of debt may result in creditors having rights, preferences and privileges senior or otherwise superior to those of the holders of our shares and may limit our flexibility in operating our business and make it more difficult to obtain capital in the future. Disruptions, uncertainty, or volatility in the capital and credit markets may also limit our access to capital required to operate our business. If we are not able to obtain adequate capital, our business, financial condition and results of operations could be materially adversely affected.

We are subject to credit risk with regard to our reinsurance counterparties.

Although reinsurance makes the assuming reinsurer liable to us to the extent of the risk ceded, we are not relieved of our primary liability to our insureds as the direct insurer. We cannot be sure that our reinsurers will pay all reinsurance claims on a timely basis or at all. For example, reinsurers may default in their financial obligations to us as the result of insolvency, lack of liquidity, operational failure, fraud, asserted defenses based on agreement wordings or the principle of utmost good faith, asserted deficiencies in the documentation of agreements or other reasons. The failure of a reinsurer to pay us does not lessen our contractual obligations to insureds. If a reinsurer fails to pay the expected portion of a claim or claims, our net losses might

increase substantially and adversely affect our financial condition. Any disputes with reinsurers regarding coverage under reinsurance contracts could be time-consuming, costly and uncertain of success.

Downgrades to the credit ratings of our reinsurance counterparties may result in the reduction of rating agency capital credit provided by those reinsurance contracts and could, therefore, result in a downgrade of our own credit ratings. We evaluate each reinsurance claim based on the facts of the case, historical experience with the reinsurer on similar claims and existing case law and include any amounts deemed uncollectible from the reinsurer in our reserve for uncollectible reinsurance.

Our Insurance Company Subsidiaries are subject to minimum capital and surplus requirements. Failure to meet these requirements could subject us to regulatory action.

Our Insurance Company Subsidiaries are subject to minimum capital and surplus requirements imposed under the laws of their respective states of domicile and each state in which they issue policies. As of December 31, 2016, our Insurance Company Subsidiaries were in compliance with all such reserves. Any failure by one of our Insurance Company Subsidiaries to meet minimum capital and surplus requirements imposed by applicable state law will subject it to corrective action. This may include requiring adoption of a comprehensive financial plan, revocation of its license to sell insurance products or placing the subsidiary under state regulatory control. A decline in the risk based capital ratios of our Insurance Company Subsidiaries could limit their ability to make a dividend to us and could be a factor in causing rating agencies to downgrade our ratings. Any new minimum capital and surplus requirements adopted in the future may require us to increase the capital and surplus of our Insurance Company Subsidiaries, which we may not be able to do.

Any debt service obligations will reduce the funds available for other business purposes, and the terms and covenants relating to our current and future indebtedness could adversely impact our financial performance and liquidity.

As of December 31, 2016, we had an aggregate amount of \$17.8 million outstanding under our revolving line of credit and our two term loans, combined. To the extent we incur additional debt in the future for acquisitions, capital expenditures, working capital or otherwise, we will be subject to risks typically associated with debt financing, such as insufficient cash flow to meet required debt service payment obligations and the inability to refinance existing indebtedness.

The Credit Facility contains various restrictive covenants that relate to the Company's shareholders' equity, premiums-to-capital and surplus ratios, fixed-charge coverage ratio, and certain other metrics such as risk-based capital ratios. Certain of the Company's Insurance Company Subsidiaries are also required to maintain minimum A.M. Best ratings. If we are unable to meet debt covenant requirements or to obtain future waivers regarding such failures, we could be in breach of our credit agreement. Any such breach could cause significant disruption to our operations, including a requirement to immediately repay our indebtedness, and would have severe adverse effects on our liquidity and financial flexibility.

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.

Although we seek to mitigate our loss exposure through a variety of methods, the future is inherently unpredictable. It is difficult to predict the timing, frequency and severity of losses with statistical certainty. It is not possible to completely eliminate our exposure to un-forecasted or unpredictable events and, to the extent that losses from such risks occur, our financial condition and results of operations could be materially adversely affected.

For instance, various provisions of our policies, such as limitations or exclusions from coverage or choice of forum, which have been negotiated to limit our risks, may not be enforceable in the manner we intend. At the present time, we employ a variety of endorsements to our policies that limit exposure to known risks. As industry practices and legal, judicial, social and other conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues may adversely affect our business by either extending coverage beyond the underwriting intent or by increasing the size or number of claims.

In addition, we design our E&S lines' policy terms to manage our exposure to expanding theories of legal liability like those which have given rise to claims for lead paint, asbestos, mold, construction defects and environmental matters. Many of the policies we issue also include conditions requiring the prompt reporting of claims to us and entitle us to decline coverage in the event of a violation of that condition. Also, many of our policies limit the period during which a policyholder may bring a claim under the policy, which in many cases is shorter than the statutory period under which such claims can be brought against our policyholders. While these exclusions and limitations help us assess and reduce our loss exposure and help eliminate known exposures to certain risks, it is possible that a court or regulatory authority could nullify or void an exclusion or legislation could be enacted modifying or barring the use of such endorsements and limitations. These types of governmental actions could result in higher than anticipated losses and loss adjustment expenses, which could have a material adverse effect on our financial condition or results of operations. In some instances, these changes may not become apparent until sometime after we have issued insurance policies 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.

We distribute our insurance products through a select group of agents, several of which account for a significant portion of our business, and there can be no assurance that such relationships will continue, or if they do continue, that the relationship will be on favorable terms to us. In addition, reliance on agents subjects us to their credit risk.

Our distribution model depends almost entirely on the agencies that distribute our products. In 2016, our top six select agencies, including affiliated agencies, accounted for approximately 59% of our gross written premiums in our commercial lines, and our top four select agencies, including affiliated agencies accounted for approximately 52% of our gross written premiums in our personal lines. We cannot assure you that these relationships, or our relationships with any of our agencies will continue. Even if the relationships do continue, they may not be on terms that are profitable for us. The termination of a relationship with one or more significant agents could result in lower direct written premiums and could have a material adverse effect on our results of operations or business prospects.

Certain premiums from policyholders, where the business is produced by agents, are collected directly by the agents and forwarded to our Insurance Company Subsidiaries. In certain jurisdictions, when the insured pays its policy premium to these agents for payment on behalf of our Insurance Company Subsidiaries, the premiums 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 premiums from that agent. Consequently, we assume a degree of credit risk associated with agents. Where necessary, we review the financial condition of potential new agents before we agree to transact business with them. Although failures by agents to remit premiums have not been material to date, there may be instances where agents 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 absence of premiums.

Because the possibility of these events depends in large part upon the financial condition and internal operations of our agents (which in most cases is not public information), we are not able to quantify the exposure presented by this risk. If we are unable to collect premiums from agents in the future, underwriting profits may decline and our financial condition and results of operations could be materially and adversely affected.

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 or until they are recognized as profits. Consequently, we seek to manage the duration of our investment portfolio based on the duration of our loss and loss adjustment expense reserves to ensure sufficient liquidity and avoid having to liquidate securities to fund claims. Risks such as inadequate loss and loss adjustment reserves or unfavorable trends in litigation could potentially result in the need to sell investments to fund these liabilities. Such sales could result in significant realized losses depending on the conditions of the general market, interest rates and credit issues with individual securities.

Increased information technology security threats and more sophisticated computer crimes pose a risk to our systems, networks, products and services.

Our business is dependent upon the uninterrupted functioning of our information technology and telecommunication systems. We rely upon our systems, as well as the systems of our vendors, to underwrite and process our business; make claim payments; provide customer service; provide policy administration services, such as endorsements, cancellations and premium collections; comply with insurance regulatory requirements; and perform actuarial and other analytical functions necessary for pricing and product development. We have established security policies, processes and layers of defense designed to help identify and protect against intentional and unintentional misappropriation or corruption of our systems and information and disruption of our operations. Our security measures are focused on the prevention, detection and remediation of damage from computer viruses, natural disasters, unauthorized access, cyber attack and other similar disruptions.

Despite these efforts, our systems may be damaged, disrupted, or shut down due to attacks by unauthorized access, malicious software, undetected intrusion, hardware failures, or other events, and in these circumstances our disaster recovery planning may be ineffective or inadequate. Information technology security threats from user error to cybersecurity attacks are increasing in frequency and sophistication. Cybersecurity attacks may range from random attempts to coordinated and targeted attacks, including sophisticated computer crime and advanced threats. These threats pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data. No cybersecurity attack has had a material impact on our financial condition, results of operations or liquidity. However, the potential consequences of a material cybersecurity attack include reputational damage, litigation with third parties, and increased cybersecurity protection and remediation costs. A sustained business interruption or system failure could adversely impact our ability to process our business, provide customer service, pay claims in a timely manner or perform other necessary business functions. We could also be subject to fines and penalties from a security breach. The cost to remedy a severe breach could be substantial.

We rely on our systems and employees, and those of certain third-party vendors and service providers in conducting our operations, and certain failures, including internal or external fraud, operational errors, or systems malfunctions, could materially adversely affect our operations.

We are exposed to many types of operational risk, including the risk of fraud by employees and outsiders, clerical and recordkeeping errors and computer or telecommunications systems malfunctions. Our business depends on our ability to process a large number of increasingly complex transactions. If any of our operational, accounting, or other data processing systems fail or have other significant shortcomings, we could be materially adversely affected. Similarly, we depend on our employees. We could be materially adversely affected if one or more of our employees cause a significant operational breakdown or failure, either as a result of human error or intentional sabotage or fraudulent manipulation of our operations or systems.

Third parties with whom we do business, including vendors that provide services or security solutions for our operations, could also be sources of operational and information security risk to us, including from breakdowns, failures, or capacity constraints of their own systems or employees. Any of these occurrences could diminish our ability to operate our business, or cause financial loss, potential liability to insureds, inability to secure insurance, reputational damage or regulatory intervention, which could materially adversely affect us.

Our geographic concentration ties our performance to the business, economic, natural perils, man-made perils, and regulatory conditions within our most concentrated region.

Our revenues and profitability are subject to the prevailing regulatory, legal, economic, political, demographic, competitive, weather and other conditions in the principal states in which we do business. Changes in any of these conditions could make it less attractive for us to do business in such states and would have a more pronounced effect on us compared to companies that are more geographically diversified. In addition, our exposure to severe losses from localized perils, such as earthquakes, hurricanes, tropical storms, tornadoes, wind, ice storms, hail, fires, terrorism, riots and explosions, is increased in those areas where we have written significant numbers of insurance policies.

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

As an insurance holding company, our subsidiaries are named as defendants in various legal actions in the ordinary course of business. We believe that the outcome of presently pending matters, individually and in the aggregate, will not have a material adverse effect on our consolidated financial position, operating results or liquidity. However, the outcomes of lawsuits cannot be predicted and, if determined adversely, could require us to pay significant damage amounts or to change aspects of our operations, which could have a material adverse effect on our financial results.

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

Our Insurance Company Subsidiaries are subject to assessments in most states where we are licensed for the provision of funds necessary for the settlement of covered claims under certain policies provided by impaired, insolvent or failed insurance companies. These assessments, which are levied by guaranty associations within the state up to prescribed limits, are imposed on all member insurers in the applicable state on the basis of the proportionate share of the premiums written by member insurers in the lines of business in which the impaired, insolvent or failed insurer was engaged. Accordingly, the assessments levied on us by the states in which we are licensed to write insurance may increase as we increase our premiums written. Maximum contributions required by law in any one year vary by state, and have historically been less than one percent of annual premiums written. We cannot predict with certainty the amount of future assessments because they depend on factors outside our control, such as insolvencies of other insurance companies. Significant assessments could have a material adverse effect on our financial condition and results of operations.

Risks Related to Ownership of Our Common Stock

The price of our common stock may be volatile and limited public float and low trading volume for our shares may have an adverse impact on the share price or make it difficult to liquidate.

The trading price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control and may not be related to our operating performance. These fluctuations could be significant and could cause a loss in the amount invested in our shares of common stock. Factors that could cause fluctuation are listed in the “*Industry Risks*” and “*Risks Related to our Business*” listed above.

In addition, the stock market in general, and the market for insurance companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company’s securities. This litigation, if instituted against us, could result in substantial costs, divert our management’s attention and resources, and harm our business, operating results, and financial condition.

As a result of these factors, investors in our common stock may not be able to resell their shares at or above their purchase price or may not be able to resell them at all. These market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance. In addition, price volatility may be greater if the public float and the trading volume of our common stock remain low.

Our principal shareholders and management own a significant percentage of our stock and will be able to exert significant control over matters subject to shareholder approval.

As of December 31, 2016, our executive officers, directors, 5% shareholders and their affiliates owned approximately 50.0% of our voting stock. Therefore, these shareholders will have the ability to influence us through their ownership position. These shareholders may be able to significantly influence all matters requiring shareholder approval. For example, these shareholders may be able to significantly influence elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may feel are in your best interest as one of our shareholders.

We are an emerging growth company, and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an emerging growth company, as defined in the Jumpstart Our Business Startups ("JOBS") Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding nonbinding advisory votes on executive compensation and shareholder approval of any golden parachute payments not previously approved. We could be an emerging growth company until 2020, up to five years following the year in which we completed our offering. Circumstances could cause us to lose that status earlier, including: (i) we are deemed to be a "large accelerated filer," as defined under the Exchange Act before that time, (ii) we have total annual gross revenue of \$1.0 billion or more during any fiscal year before that time or (iii) we issue more than \$1.0 billion in non-convertible debt during any three year period before that time.

Even after we no longer qualify as an emerging growth company, we may still qualify as a "smaller reporting company" which would allow us to take advantage of many of the same exemptions from disclosure requirements including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price 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 not to avail ourselves of this exemption from new or revised accounting standards and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. As a result, changes in rules of U.S. generally accepted accounting principles or their interpretation, the adoption of new guidance or the application of existing guidance to changes in our business could significantly affect our financial position and results of operations.

We cannot assure you that we will declare or pay dividends on our common shares in the future so any returns may be limited to the value of our stock.

We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Any return to shareholders will therefore be limited to appreciation in value of their stock, if any. In addition, certain regulatory concerns limit our ability to pay dividends even if we were to determine such dividends were appropriate at this stage of our business development. Because we are a holding company that has no substantial operations of our own, we rely primarily on cash dividends or distributions from our subsidiaries to pay our operating expenses and dividends to shareholders. The payment of dividends by our Insurance Company Subsidiaries is limited under the laws and regulations of their respective domicile. These regulations stipulate the maximum amount of annual dividends or other distributions available to shareholders without prior approval of the relevant regulatory authorities. As a result of such regulations, we may not be able to pay our operating expenses as they become due and our payment of future dividends to shareholders may be limited.

In addition, any determination to declare or pay future dividends to our shareholders will be at the discretion of our board of directors and will depend on a variety of factors, including (1) our financial condition, liquidity, results of operations (including our ability to generate cash flow in excess of expenses and our expected or actual net income), retained earnings and collateral and capital requirements, (2) general business conditions, (3) legal, tax and regulatory limitations, (4) contractual

prohibitions and other restrictions, (5) the effect of a dividend or dividends upon our financial strength ratings and (6) any other factors that our board of directors deems relevant. See “Dividend Policy.”

We incur significant increased costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance initiatives.

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, we are subject to the reporting requirements of the Exchange Act, which require, among other things, that we file with the SEC, annual, quarterly and current reports with respect to our business and financial condition. We are also subject to other reporting and corporate governance requirements, including certain requirements of Nasdaq and certain provisions of the Sarbanes-Oxley Act and the regulations promulgated thereunder, which will impose significant compliance obligations upon us.

The Sarbanes-Oxley Act and the Dodd-Frank Act, as well as new 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 have increased our operating costs and may divert management’s time and attention from revenue-generating activities.

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.

Certain provisions of our corporate governance documents and Michigan law could discourage, delay or prevent a merger or acquisition at a premium price.

Our amended and restated articles of incorporation and bylaws will contain provisions that may make the acquisition of our Company more difficult without the approval of our board of directors (our “Board”). These include provisions that, among other things:

- Permit the Board to issue up to 10 million shares of preferred stock, with any rights, preferences and privileges as they may determine (including the right to approve an acquisition or other change in control);
- Provide that the authorized number of directors may be fixed only by the Board in accordance with our amended and restated bylaws;
- Do not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares entitled to vote in any election of directors to elect all of the directors standing for election);
- Provide that all vacancies and newly created directorships may be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- Prohibit removal of directors without cause;
- Prohibit shareholders from calling special meetings of shareholders;
- Requires unanimous consent for shareholders to take action by written consent without approval of the action by our Board;
- Provide that shareholders seeking to present proposals before a meeting of shareholders or to nominate candidates for election as directors at a meeting of shareholders must provide advance notice in writing and also comply with specified requirements related to the form and content of a shareholder’s notice;
- Require at least 80% supermajority shareholder approval to alter, amend or repeal certain provisions of our amended and restated articles of incorporation; and
- Require at least 80% supermajority shareholder approval in order for shareholders to adopt, amend or repeal our amended and restated bylaws.

These provisions may frustrate or prevent any attempts by our shareholders to replace or remove our current management by making it more difficult for shareholders to replace members of the Board of Directors, which is responsible for appointing members of our management.

In addition, the 2015 Omnibus Incentive Plan permits the Board or a committee thereof to accelerate, vest or cause the restrictions to lapse with respect to outstanding equity awards, in the event of, or immediately prior to, a change in control. Such vesting or acceleration could discourage the acquisition of our Company.

We could also become subject to certain anti-takeover provisions under Michigan law which may discourage, delay or prevent someone from acquiring us or merging with us, whether or not an acquisition or merger is desired by or beneficial to

our shareholders. If a corporation's board of directors chooses to "opt in" to certain provisions of Michigan Law, such corporation may not, in general, engage in a business combination with any beneficial owner, directly or indirectly, of 10% of the corporation's outstanding voting shares unless the holder has held the shares for five years or more or, among other things, the board of directors has approved the business combination. Our Board of Directors has not elected to be subject to this provision, but could do so in the future. Any provision of our amended and restated articles of incorporation or bylaws or Michigan law that has the effect of delaying or deterring a change in control could limit the opportunity for our shareholders to receive a premium for their shares, and could also affect the price that some investors are willing to pay for our common stock otherwise.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease office space in Birmingham, Michigan, where our principal executive office is located. We also lease offices in Southfield, Michigan; Jacksonville, Longwood and Miami, Florida; Somerset, Pennsylvania; Brentwood, Tennessee; and Waco, Texas. We believe that our facilities are adequate for our current needs and that suitable additional or substitute space will be available as needed.

ITEM 3. LEGAL PROCEEDINGS

We are party to legal proceedings which arise in the ordinary course of business. We believe that the outcome of such matters, individually and in the aggregate, will not have a material adverse effect on our consolidated financial position, operating results or liquidity.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Shareholder Information

Corporate Headquarters

550 W. Merrill Street
Birmingham, MI 48009
Phone: (248) 559-0870

Transfer Agent & Registrar

American Stock Transfer & Trust Co, LLC
6201 15th Avenue
Brooklyn, NY 11219

Independent Registered Public Accounting Firm

Deloitte & Touche, LLP
200 Renaissance Center
Suite 3900
Detroit, MI 48243

Stock Listing

Nasdaq
Symbol: CNFR

Corporate Counsel

Honigman Miller Schwartz and Cohn, LLP
600 Woodward Avenue
2290 First National Building
Detroit, MI 48226-3506

Shareholder Relations and Form 10-K

A copy of our 2016 Annual Report and Form 10-K, as filed with the Securities and Exchange Commission, may be obtained upon written request to our Financial Reporting Department at our corporate headquarters at ir@cnfrh.com.

Share Price and Dividend Information

Our common stock is traded on the Nasdaq under the symbol "CNFR." The following table sets forth the high and low sale prices of our common shares as reported by the Nasdaq for each period shown:

	<u>High</u>	<u>Low</u>
<u>2016</u>		
First Quarter	9.22	6.04
Second Quarter	7.00	6.27
Third Quarter	8.59	7.15
Fourth Quarter	8.55	6.65
<u>2015</u>		
Third Quarter (beginning August 13, 2015)	10.60	9.75
Fourth Quarter	10.09	8.94

Neither Michigan law nor our amended and restated articles of incorporation requires our board of directors to declare dividends on our common stock. Conifer Holdings, Inc. is a holding company that has no substantial revenues of its own, and relies primarily on intercompany service fees, cash dividends or distributions from its subsidiaries to pay operating expenses, service debts, and pay dividends to shareholders. The payment of dividends by the Insurance Company Subsidiaries is limited under the laws and regulations of their respective state of domicile. These regulations stipulate the maximum amount of annual dividends or other distributions available to shareholders without prior approval of the relevant regulatory authorities. Any future determination to declare cash dividends on our common stock will be made at the discretion of the board of directors and will depend on the financial condition, results of operations, capital requirements, general business conditions and other factors

that the board of directors may deem relevant. The Parent Company has not historically paid dividends and does not anticipate paying cash dividends on its common stock for the foreseeable future.

For additional information regarding dividend restrictions, refer to the *Liquidity and Capital Resources* section of *Management's Discussion and Analysis*.

Shareholders of Record

As of March 10, 2017, there were 35 shareholders of record of our common stock. A substantially greater number of holders are beneficial owners whose shares are held of record by banks, brokers and other nominees.

Recent Sales of Unregistered Securities

In the past three years, we have sold and issued the following unregistered securities:

In a related series of transactions ranging from January 1, 2014 through June 30, 2014, we sold an aggregate of 764,602 shares of our common stock at a per share price of \$12.16, resulting in aggregate gross proceeds of \$9.3 million (approximately \$1.0 million of which resulted from the conversion of a loan from one of our executive officers at the same per share price). These shares were sold to certain of our officers and directors and other accredited investors known to our management.

In a related series of transactions ranging from January 8, 2014 through February 27, 2014, and again on July 24, 2014, we sold an aggregate of 66,000 shares of newly designated preferred stock at \$10 per share for aggregate gross proceeds of \$660,000.

On September 30, 2014, we amended the designations of our preferred stock. In a related series of transactions ranging from September 30, 2014 through November 20, 2014, we sold an additional 54,000 redeemable preferred shares at \$100 per share to certain of our directors and officers and other accredited investors known to management. These transactions resulted in aggregate gross proceeds of \$5.4 million. Also, in connection with the change in designations of our preferred stock, on September 30, 2014, we exchanged shares of our new redeemable preferred shares for shares of our previously existing preferred shares on a 1-for-10 basis, reflecting the \$100 original issue price of the new redeemable preferred shares. We did not receive any proceeds from this exchange.

In the fourth quarter of 2014, in a series of transactions ranging from September 30, 2014 through January 16, 2015, we sold an aggregate of 1,535,814 shares of our common stock at a per share price of \$13.63, resulting in aggregate gross proceeds of \$20.9 million. These shares were sold to certain of our officers and directors and other third party accredited investors.

No underwriters were involved in the foregoing sales of securities. The issuances of the securities described above were deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) of the Securities Act as transactions by an issuer not involving a public offering.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following tables set forth selected consolidated historical financial information of Conifer Holdings, Inc. and Subsidiaries as of the dates and for the periods indicated. The selected financial data for the years ended December 31, 2016, 2015, 2014, 2013 and 2012 were derived from our audited consolidated financial statements and related notes thereto.

These historical results are not necessarily indicative of results to be expected for any future period. The following financial information should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes thereto included elsewhere in this report (dollars in thousands, except for per share data).

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Operating Results:					
Gross written premiums	\$ 114,923	\$ 93,750	\$ 83,847	\$ 44,087	\$ 22,838
Ceded written premiums	(14,994)	(14,076)	(17,548)	(6,439)	(543)
Net written premiums	<u>\$ 99,929</u>	<u>\$ 79,674</u>	<u>\$ 66,299</u>	<u>\$ 37,648</u>	<u>\$ 22,295</u>
Net earned premiums	89,627	\$ 66,765	\$ 57,528	\$ 27,629	\$ 16,934
Net investment income	2,173	1,902	1,175	1,000	1,072
Net realized investment gains	1,365	285	417	299	1273
Other gains (losses) (1)	(400)	104	—	3,714	—
Other income	1,118	1,667	1,809	834	309
Total revenue	<u>93,883</u>	<u>70,723</u>	<u>60,929</u>	<u>33,476</u>	<u>19,588</u>
Losses and loss adjustment expenses, net	59,003	38,882	40,730	15,824	7,591
Policy acquisition costs	25,280	16,183	14,696	7,667	4,652
Operating expenses	17,596	14,806	12,139	9,161	6,520
Interest expense	647	769	584	541	428
Total expenses	<u>102,526</u>	<u>70,640</u>	<u>68,149</u>	<u>33,193</u>	<u>19,191</u>
Income (loss) before income taxes	(8,643)	83	(7,220)	283	397
Income tax expense (benefit)	(77)	48	(281)	3	(16)
Equity earnings (losses) in affiliates, net of tax	129	(52)	—	—	—
Net income (loss)	(8,437)	(17)	(6,939)	280	413
Less net income (loss) attributable to non-controlling interest	—	(81)	(4)	(69)	
Net income (loss) attributable to Conifer	<u>\$ (8,437)</u>	<u>\$ 64</u>	<u>\$ (6,935)</u>	<u>\$ 349</u>	<u>\$ 413</u>
Net income (loss) allocable to common shareholders	<u>\$ (8,437)</u>	<u>\$ (476)</u>	<u>\$ (7,200)</u>	<u>\$ 349</u>	<u>\$ 413</u>
Net income (loss) per share allocable to common shareholders, basic and diluted	<u>\$ (1.11)</u>	<u>\$ (0.09)</u>	<u>\$ (2.69)</u>	<u>\$ 0.20</u>	<u>\$ 0.24</u>
Weighted average common shares outstanding, basic and diluted	<u>7,618,588</u>	<u>5,369,960</u>	<u>2,672,440</u>	<u>1,749,626</u>	<u>1,741,517</u>

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Balance Sheet Data:					
Cash and invested assets	141,023	\$ 130,427	\$ 123,726	\$ 68,445	\$ 54,618
Reinsurance recoverables	7,498	7,044	5,139	4,394	7,978
Total assets	203,701	177,927	163,738	96,856	73,712
Unpaid losses and loss adjustment expenses	54,651	35,422	31,531	28,908	24,843
Unearned premiums	58,126	47,916	43,381	26,505	11,905
Senior debt	17,750	12,750	27,562	13,087	11,987
Total liabilities	135,907	100,665	113,460	75,605	52,097
Preferred stock(2)	—	—	6,119	—	—
Total shareholders' equity attributable to Conifer	67,794	77,262	44,182	21,270	21,615
Other Data:					
Shareholders' equity per common share outstanding \$	8.88	\$ 10.11	\$ 11.06	\$ 12.16	\$ 12.35
Regulatory capital and surplus(3)	62,189	71,153	65,974	34,817	35,600

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Underwriting Ratios:					
Loss ratio	65.0%	56.8%	68.6%	55.6%	44.0%
Expense ratio	47.2%	45.3%	45.2%	59.1%	64.8%
Combined ratio	112.2%	102.1%	113.8%	114.7%	108.8%

- (1) In 2016, as a result of the merger of ACIC into WPIC, the value of intangible assets recorded for insurance licenses on ACIC were written off resulting in a loss. In 2015, the Company recognized a gain as a result of the deconsolidation of an affiliate. In 2013, the Company recognized a gain on the acquisitions of EGI Insurance Services, Inc. and MLBA Mutual Insurance Company. The acquisitions were accounted for as bargain purchases.
- (2) In March 2015, the Company reclassified the then carrying amount of its preferred stock of \$6,180 from temporary equity to permanent equity as the redemption of the preferred stock became within the Company's control as a result of the amendments to the preferred stock designations.
- (3) For our Insurance Company Subsidiaries, the excess of assets over liabilities are determined in accordance with statutory accounting principles as determined by the NAIC.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements, related notes and other financial information appearing elsewhere in this Annual Report on Form 10-K, filed with the U. S. Securities and Exchange Commission ("SEC").

Forward-Looking Statements

Certain statements contained in this Annual Report on Form 10-K, which are not statements of historical fact, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, as Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements give current expectations or forecasts of future events or our future financial or operating performance. Words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "seek" and similar terms and phrases, or the negative thereof, may be used to identify forward-looking statements.

The forward-looking statements contained in this report are based on management's good-faith belief and reasonable judgment based on current information. The forward-looking statements are qualified by important factors, risks and uncertainties, many of which are beyond our control, which could cause our actual results to differ materially from those in the forward-looking statements, including those described above in Item 1A Risk Factors and subsequent reports filed with or furnished to the SEC. Any forward-looking statement made by us in this report speaks only as of the date hereof or as of the date specified herein. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by any applicable laws or regulations.

Business Overview

We are an insurance holding company that markets and services our product offerings through specialty commercial and specialty personal insurance business lines. Our growth has been significant since our founding in 2009. Currently, we are authorized to write insurance as an excess and surplus lines carrier in 44 states, we are licensed to write insurance in 40 states as an admitted carrier and we offer our insurance products in all 50 states.

Our revenues are primarily derived from premiums earned from our insurance operations. We also generate other revenues through investment income and other income which mainly consists of: installment fees and policy issuance fees generally related to the policies we write and commission income from SIA's 50% owned agency (the "Affiliate"). The Affiliate places small commercial risks mainly for alarm and security guard markets.

Our expenses consist primarily of losses and loss adjustment expenses, agents' commissions, and other underwriting and administrative expenses. We organize our operations in two insurance businesses: commercial insurance lines and personal insurance lines.

Through our commercial insurance lines, we offer coverage for both commercial property and commercial liability. We also offer coverage for commercial automobiles and workers' compensation. Our insurance policies are sold to targeted small and mid-sized businesses on a single or multiple-coverage basis.

Through our personal insurance lines, we offer homeowners insurance and dwelling fire insurance products to individuals in several states. Our specialty homeowners insurance line is primarily comprised of either wind-exposed homeowners insurance providing hurricane and wind coverage to underserved homeowners in Texas, Hawaii and Florida or low-value dwelling insurance tailored for owners of lower valued homes, which we have historically offered in Illinois and Indiana, and have now expanded to Louisiana and Texas (where we have an office in Waco). Due to recent Florida-based industry events, we have been de-emphasizing our Florida homeowners' business and reducing our exposures in that state. Otherwise, there has been little change in our approach to managing or evaluating these lines.

Critical Accounting Policies and Estimates

General

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 which 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 the reported amounts of assets, liabilities, revenues and expenses and the disclosure of 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. See the Consolidated Financial Statements Note 1 – *Summary of Significant Accounting Policies*, for further details.

Loss and Loss Adjustment Expense Reserves

Our recorded loss and loss adjustment expenses ("LAE") reserves represent management's best estimate of unpaid loss and LAE at each balance sheet date, based on information, facts and circumstances known at such time. Our loss and LAE reserves reflect our estimates at the balance sheet date of the following items:

- Case reserves, which are unpaid loss and LAE amounts we expect to pay for losses that have been reported; and
 - Incurred but not reported ("IBNR") reserves, which are (1) unpaid loss and LAE amounts we expect to pay for losses that have been incurred but not yet reported; and (2) the expected development of losses and LAE on open reported cases.

We do not discount the loss and LAE reserves for the time value of money.

Case reserves for reported losses and LAE are initially set by our claims personnel. When a claim is reported to us, our claims department completes a case-basis valuation and establishes a case reserve for the estimated amount of the ultimate payment as soon as practicable and after it has sufficient information to form a judgment about the probable ultimate losses and LAE associated with that claim, with a goal of setting the case reserve at the ultimate expected loss and LAE amount. Our claims department updates their case-basis valuations upon receipt of additional information. The case reserve is based primarily upon an evaluation of the following factors:

- The type of loss;
- The severity of injury or damage;
- Our knowledge of the circumstances surrounding the claim;
- The jurisdiction of the occurrence;
- Policy provisions related to the claim;
 - Expenses intended to cover the ultimate cost of settling claims, including investigation and defense of lawsuits resulting from such claims, costs of outside adjusters and experts, and all other expenses which are identified to the case; and
- Any other information considered pertinent to estimating the indemnity and expense exposure presented by the claim.

IBNR reserves are determined by subtracting case reserves from total estimated loss and LAE reserves, which are based on the ultimate expected losses and LAE less paid loss and LAE. Our actuarial department develops estimated ultimate loss and LAE on a quarterly basis. Our Reserve Review Committee (which includes our Chief Executive Officer, President, Chief Financial Officer, other members of executive management, and key actuarial, underwriting and claims personnel) meets each quarter to review our actuaries' estimated ultimate expected loss and LAE.

The carried reserves reflect management's best estimate of the outstanding loss and LAE liabilities. Management arrives at this estimate after reviewing an internal analysis prepared by the Company's certified actuary.

We use several generally accepted actuarial methods to develop estimated ultimate loss and LAE estimates by line of business and accident year. This process relies on the basic assumption that past experience, adjusted for the effects of current developments and likely trends, is a reasonable basis for predicting future outcomes. These methods utilize various inputs, including but not limited to:

- Written and earned premiums;
- Paid and reported losses and LAE;
- Expected initial loss and LAE ratio, which is the ratio of incurred losses and LAE to earned premiums; and
 - Expected claim reporting and payout patterns based on our own loss experience and supplemented with insurance industry data where applicable.

The principal standard actuarial methods used by our actuaries for their comprehensive reviews include:

- Loss ratio method—This method uses loss and LAE ratios for prior accident years, adjusted for current trends, to determine an appropriate expected loss and LAE ratio for a given accident year;

- Loss development methods—Loss development methods assume that the losses and LAE yet to emerge for an accident year are proportional to the paid or reported loss and LAE amounts observed to-date. The paid loss development method uses losses and LAE paid to date, while the reported loss development method uses losses and LAE reported to date;
- Bornheutter-Ferguson method—This method is a combination of the loss ratio and loss development methods, where the loss development factor is given more weight as an accident year matures; and
- Frequency/severity method—This method projects claim counts and average cost per claim on a paid or reported basis for high frequency, low severity products.

Our actuaries give different weights to each of these methods based upon the amount of historical experience data by line of business and by accident year, and based on judgment as to what method is believed to result in the most accurate estimate. The application of each method by line of business and by accident year may change in the future if it is determined that a different emphasis for each method would result in more accurate estimates.

Our actuaries also analyze several diagnostic measures by line of business and accident year, including but not limited to: reported and closed frequency and severity, claim reporting and claim closing patterns, paid and incurred loss ratio development, and ratios of paid loss and LAE to incurred loss and LAE. After the actuarial methods and diagnostic measures have been performed and analyzed, our actuaries use their judgment and expertise to select an estimated ultimate loss and LAE by line of business and by accident year.

Our actuaries estimate an IBNR reserve for our unallocated LAE not specifically identified to a particular claim, namely our internal claims department salaries and associated general overhead and administrative expenses associated with the adjustment and processing of claims. These estimates, which are referred to as unallocated loss adjustment expense ("ULAE") reserves, are based on internal cost studies and analyses reflecting the relationship of ULAE paid to actual paid and incurred losses. We select factors that are applied to case reserves and IBNR reserve estimates in order to estimate the amount of ULAE reserves applicable to estimated loss reserves at the balance sheet date.

We allocate the applicable portion of our estimated loss and LAE reserves to amounts recoverable from reinsurers under reinsurance contracts and report those amounts separately from our loss and LAE reserves as an asset on our balance sheet.

The estimation of ultimate liability for losses and LAE is a complex, imprecise and inherently uncertain process, and therefore involves a considerable degree of judgment and expertise. Our loss and LAE reserves do not represent an exact measurement of liability, but are estimates based upon various factors, including but not limited to:

- Actuarial projections of what we, at a given time, expect to be the cost of the ultimate settlement and administration of claims reflecting facts and circumstances then known;
- Estimates of future trends in claims severity and frequency;
- Assessment of asserted theories of liability; and
- Analysis of other factors, such as variables in claims handling procedures, economic factors, and judicial and legislative trends and actions.

Most or all of these factors are not directly or precisely quantifiable, particularly on a prospective basis, and are subject to a significant degree of variability over time. In addition, the establishment of loss and LAE reserves makes no provision for the broadening of coverage by legislative action or judicial interpretation or for the extraordinary future emergence of new types of losses not sufficiently represented in our historical experience or which cannot yet be quantified. As a result, an integral component of our loss and LAE reserving process is the use of informed subjective estimates and judgments about our ultimate exposure to losses and LAE. Accordingly, the ultimate liability may be more or less than the current estimate. The effects of change in the estimated loss and LAE reserves are included in the results of operations in the period in which the estimate is revised.

Our reserves consist entirely of reserves for property and liability losses, consistent with the coverages provided for in the insurance policies directly written or assumed by us under reinsurance contracts. Occasionally, several years may elapse between the occurrence of an insured loss, the reporting of the loss to us and our payment of the loss. The level of IBNR reserves in relation to total reserves depends upon the characteristics of the specific line of business, particularly related to the speed with which claims are reported and outstanding claims are paid. Lines of business for which claims are reported slowly will have a higher percentage of IBNR reserves than lines of business that report and settle claims more quickly.

The following table shows the ratio of IBNR reserves to total reserves net of reinsurance recoverables as of December 31, 2016 (dollars in thousands):

Line of Business	Case Reserves	IBNR Reserves	Total Reserves	Ratio of IBNR to Total Reserves
Commercial Lines	\$ 24,345	\$ 22,572	\$ 46,917	48.1%
Personal Lines	\$ 5,518	\$ 2,216	\$ 7,734	28.7%
Total Lines	\$ 29,863	\$ 24,788	\$ 54,651	45.4%

Although we believe that our reserve estimates are reasonable, it is possible that our actual loss and LAE experience may not conform to our assumptions and may, in fact, vary significantly from our assumptions. Accordingly, the ultimate settlement of losses and the related LAE may vary significantly from the estimates included in our financial statements. We continually review our estimates and adjust them as we believe appropriate as our experience develops or new information becomes known to us. Such adjustments are included in current operations.

Our loss and LAE reserves do not represent an exact measurement of liability, but are estimates. The most significant assumptions affecting our IBNR reserve estimates are the loss development factors applied to paid losses and case reserves to develop IBNR by line of business and accident year. Although historical loss development provides us with an indication of future loss development, it typically varies from year to year. Thus, for each accident year within each line of business we select one loss development factor out of a range of historical factors.

We generated a sensitivity analysis of our net reserves which represents reasonably likely levels of variability in our selected loss development factors. We believe the most meaningful approach to the sensitivity analysis is to vary the loss development factors that drive the ultimate loss and LAE estimates. We applied this approach on an accident year basis, reflecting the reasonably likely differences in variability by level of maturity of the underlying loss experience for each accident year. Generally, the most recent accident years are characterized by more unreported losses and less information available for settling claims, and have more inherent uncertainty than the reserve estimates for more mature accident years. Therefore, we used variability factors of plus or minus 10% for the most recent accident year, 5% for the preceding accident year, and 2.5% for the second preceding accident year. There is minimal expected variability for accident years at four or more years' maturity.

The following table displays ultimate net loss and LAE and net loss and LAE reserves by accident year for the year ended December 31, 2016. We applied the sensitivity factors to each accident year amount and have calculated the amount of potential net loss and LAE reserve change and the impact on 2016 reported pre-tax income and on net income and shareholders' equity at December 31, 2016. We believe it is not appropriate to sum the illustrated amounts as it is not reasonably likely that each accident year's reserve estimate assumptions will vary simultaneously in the same direction to the full extent of the sensitivity factor. We also believe that such changes to our reserve balance would not have a material impact on our operating results, financial position, or liquidity. The net income and shareholders' equity amounts include an income tax rate assumption of 34%. The dollar amounts in the table are in thousands.

	Ultimate Loss and LAE Sensitivity Factor	December 31, 2016 Ultimate Loss and LAE	December 31, 2016 Loss and LAE Reserves	Potential Impact on 2016 Pre- Tax Income	Potential Impact on 2016 Net Income and December 31, 2016 Shareholders' Equity
Increased Ultimate Losses & LAE					
Accident Year 2016	10.0 %	\$ 48,358	\$ 27,954	\$ 4,836	\$ 3,192
Accident Year 2015	5.0 %	43,007	10,826	2,150	1,419
Accident Year 2014	2.5 %	43,156	5,896	1,079	712
All Prior Accident Years	— %	—	3,318	—	—
Decreased Ultimate Losses & LAE					
Accident Year 2016	(10.0)%	48,358	27,954	(4,836)	(3,192)
Accident Year 2015	(5.0)%	43,007	10,826	(2,150)	(1,419)
Accident Year 2014	(2.5)%	43,156	5,896	(1,079)	(712)
All Prior Accident Years	— %	—	3,318	—	—

Investment Valuation and Impairment

We carry fixed maturity and equity securities classified as available-for-sale at fair value, and unrealized gains and losses on such securities, net of any deferred taxes, are reported as a separate component of accumulated other comprehensive income. We do not have any securities classified as trading or held-to-maturity.

We evaluate our available-for-sale investments regularly to determine whether there have been declines in value that are other-than-temporary. Our outside investment managers assist us in this evaluation. When we determine that a security has experienced an other-than-temporary impairment, the impairment loss is recognized as a realized investment loss.

We consider a number of factors in assessing whether an impairment is other-than-temporary, including (1) the amount and percentage that current fair value is below cost or amortized cost, (2) the length of time that the fair value has been below cost or amortized cost and (3) recent corporate developments or other factors that may impact an issuer's near term prospects. In addition, for fixed maturity securities, we also consider the credit quality ratings for the securities, with a special emphasis on securities downgraded to below investment grade. We also consider our intent to sell available-for-sale fixed maturity securities in an unrealized loss position, and if it is more likely than not that we will be required to sell these securities before a recovery in fair value to their cost or amortized cost basis. For equity securities, we evaluate the near-term prospect of these investments in relation to the severity and duration of the impairment, and we consider our ability and intent to hold these investments until they recover their fair value.

Fair values are measured in accordance with ASC 820, *Fair Value Measurements*. The guidance establishes a framework for measuring fair value and a three-level hierarchy based upon the quality of inputs used to measure fair value. The three levels of the fair value hierarchy are: (1) Level 1: inputs are based on quoted prices (unadjusted) in active markets for identical assets or liabilities, (2) Level 2: inputs are other than quoted prices that are observable for the asset or liabilities, either directly or indirectly, for substantially the full term of the asset or liability and (3) Level 3: unobservable inputs that are supported by little or no market activity. The unobservable inputs represent the Company's best assumption of how market participants would price the assets or liabilities.

The fair values of fixed maturity securities and equity securities have been determined using fair value prices provided by our investment managers, who utilize internationally recognized independent pricing services. The prices provided by the independent pricing services are generally based on observable market data in active markets (e.g., broker quotes and prices observed for comparable securities).

The values for publicly-traded equity securities are generally based on Level 1 inputs which use the market approach valuation technique. The values for fixed maturity securities generally incorporate significant Level 2 inputs. The carrying value of cash and short-term investments approximate their fair values due to their short-term maturity.

We review fair value prices provided by our outside investment managers for reasonableness by comparing the fair values provided by the managers to those provided by our investment custodian. We also review and monitor changes in unrealized gains and losses. We obtain an understanding of the methods, models and inputs used by our investment managers and independent pricing services, and controls are in place to validate that prices provided represent fair values. Our control process includes initial and ongoing evaluation of the methodologies used, a review of specific securities and an assessment for proper classification within the fair value hierarchy.

Income Taxes

Our income tax expense, deferred tax assets and liabilities, and liabilities for unrecognized tax benefits reflect management's best assessment of estimated current and future taxes to be paid. We are subject to income taxes in the United States and numerous state jurisdictions. Significant judgment is required in determining the consolidated income tax expense.

Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in the future. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. In projecting future taxable income, we begin with historical results and incorporate assumptions about the amount of future state and federal pretax operating income adjusted for items that do not have tax consequences. The assumptions about future taxable income require significant judgment and are consistent with the plans and estimates we are using to manage the underlying businesses. In evaluating the objective evidence that historical results provide, we consider three years of cumulative operating income or loss.

As of December 31, 2016, we have federal and state income tax net operating loss ("NOL") carryforwards of \$22.8 million and \$8.7 million, respectively, which will expire at various dates from 2019 through 2036. Of the federal NOL amount, \$15.1 million are subject to limitations under Section 382 of the Internal Revenue Code. These net NOL carryforwards are limited in the amount that can be utilized in any one year and may expire before they are realized. At this time we do not expect that any of the remaining NOL carryforwards will expire before utilized.

The carrying value of our gross deferred tax asset for the NOL carryforwards is equal to the total NOL carryforward amount times the applicable federal and state tax rates, and was \$8.0 million and \$6.1 million as of December 31, 2016 and 2015, respectively. Total gross deferred tax assets were \$13.0 million and \$9.8 million as of December 31, 2016 and 2015. A valuation allowance of \$8.4 million and \$5.2 million has been recorded against the gross deferred tax assets as of December 31, 2016 and 2015, respectively, as the Company has recognized a three year cumulative loss as of December 31, 2016 which is significant negative evidence to support the lack of recoverability of those deferred tax assets in accordance with ASC 740, *Income Taxes*. The net deferred tax liability was \$179 thousand and \$325 thousand as of December 31, 2016 and 2015, respectively.

If, in the future, we determine we can support the recoverability of a portion or all of the deferred tax assets under the guidance, the tax benefits relating to any reversal of the valuation allowance on deferred tax assets will be accounted for as a reduction of income tax expense and result in an increase in equity. Changes in tax laws and rates may affect recorded deferred tax assets and liabilities and our effective tax rate in the future.

Non-GAAP Financial Measures

Adjusted Operating Income and Adjusted Operating Income Per Share

Adjusted operating income and adjusted operating income per share are non-GAAP measures that represent net income allocable to common shareholders excluding net realized investment and other gains (losses), net of tax, and the tax effect of changes in unrealized gains to the extent included in net income. The most directly comparable financial GAAP measures to adjusted operating income and adjusted operating income per share are net income and net income per share, respectively. Adjusted operating income and adjusted operating income per share are intended as supplemental information and are not meant to replace net income or net income per share. Adjusted operating income and adjusted operating income per share should be read in conjunction with the GAAP financial results. Our definition of adjusted operating income may be different from that used by other companies. The following is a reconciliation of net income to adjusted operating income (dollars in thousands), as well as net income per share to adjusted operating income per share:

	For the Years Ended December 31,		
	2016	2015	2014
Net (loss) allocable to common shareholders	\$ (8,437)	\$ (476)	(7,200)
Net realized investment gains and other gains (losses)	1,112	389	417
Adjusted operating (loss) allocable to common shareholders	<u>\$ (9,549)</u>	<u>\$ (865)</u>	<u>\$ (7,617)</u>
Weighted average common shares, diluted	7,618,588	5,369,960	2,672,440
Diluted (loss) per common share:			
Net (loss) per share	\$ (1.11)	\$ (0.09)	\$ (2.69)
Net realized investment gains and other gains (losses) per share	0.15	0.07	0.16
Adjusted operating (loss) per share	<u>\$ (1.26)</u>	<u>\$ (0.16)</u>	<u>\$ (2.85)</u>

We use adjusted operating income and adjusted operating income per share, in conjunction with other financial measures, to assess our performance and to evaluate the results of our business. We believe these measures provide investors with valuable information relating to our ongoing performance that may be obscured by the effect of investment gains and losses as a result of our market risk sensitive instruments, which primarily relate to fixed income securities that are available for sale and not held for trading purposes. Realized investment gains and losses may vary significantly between periods and are generally driven by external economic developments, such as capital market conditions. Accordingly, adjusted operating income excludes the effect of items that tend to be highly variable from period to period and highlights the results from our ongoing business operations and the underlying loss or profitability of our business. We believe that it is useful for investors to evaluate adjusted operating income and adjusted operating income per share, along with net income and net income per share, when reviewing and evaluating our performance.

Executive Overview

The Company reported a net loss of \$8.4 million for the year ended December 31, 2016, compared to a net loss of \$17,000 for the year ended December 31, 2015. Net loss allocable to common shareholders was \$8.4 million or \$1.11 per share for the year ended December 31, 2016, compared to a net loss of \$476,000 or \$0.09 per share for the same period in 2015.

Adjusted operating loss, a non-GAAP measure, allocable to common shareholders was \$9.5 million or \$1.26 per share for the year ended December 31, 2016, compared to an adjusted operating loss allocable to common shareholders of \$865,000 or \$0.16 per share for the year ended December 31, 2015.

Our combined ratio increased 10.1 percentage points for the year ended December 31, 2016 to 112.2%, compared to 102.1% for the same period in 2015.

The increase was largely attributable to an 8.2 percentage point increase in the loss ratio in 2016, compared to 2015 attributable to higher than expected losses in Florida homeowners, commercial auto, commercial liability products and the personal auto run-off. Our expense ratio increased by 1.9 percentage points for the year ended December 31, 2016, as compared to the same period in 2015. The increase in the expense ratio was primarily due to increased policy acquisition costs as ceding commissions from a quota share agreement reduced commission expense in the first seven months of 2015. This increase was partially offset by improved operating expense ratios as we gained efficiencies from an improved earned premium base.

Our results for the year ended December 31, 2016 also reflect the continued expansion of our commercial lines and repositioning of our personal lines. Our commercial lines gross written premiums grew by 29.4% for the year ended December 31, 2016, as compared to the same period in 2015. Gross written premiums in our personal lines grew by 4.4% for the year ended December 31, 2016, compared to the same period in 2015.

Results of Operations - 2016 Compared to 2015

The following table summarizes our operating results for the years indicated (dollars in thousands):

	Years Ended December 31,		\$ Change	% Change
	2016	2015		
Gross written premiums	\$ 114,923	\$ 93,750	\$ 21,173	22.6%
Net written premiums	\$ 99,929	\$ 79,674	\$ 20,255	25.4%
Net earned premiums	\$ 89,627	\$ 66,765	\$ 22,862	34.2%
Other income	1,118	1,667	(549)	(32.9%)
Losses and loss adjustment expenses, net	59,003	38,882	20,121	51.7%
Policy acquisition costs	25,280	16,183	9,097	56.2%
Operating expenses	17,596	14,806	2,790	18.8%
Underwriting gain (loss)	(11,134)	(1,439)	(9,695)	*
Net investment income	2,173	1,902	271	14.2%
Net realized investment gains	1,365	285	1,080	378.9%
Other gains (losses)	(400)	104	(504)	*
Interest expense	647	769	(122)	(15.9%)
Income (loss) before income taxes	(8,643)	83	(8,726)	*
Income tax expense (benefit)	(77)	48	(125)	*
Equity earnings (losses) in affiliates, net of tax	129	(52)	181	*
Net income (loss)	\$ (8,437)	\$ (17)	\$ (8,420)	*
Underwriting Ratios:				
Loss ratio	65.0%	56.8%		
Expense ratio	47.2%	45.3%		
Combined ratio	112.2%	102.1%		

* Percentage change is not meaningful

Premiums

Earned premiums are earned ratably over the term of the policy, whereas written premiums are reflected on the effective date of the policy. All commercial lines and homeowners products have annual policies, under which premiums are earned evenly over one year. Almost all personal automobile policies are six month term policies under which premiums are earned evenly over a six-month period. The resulting net earned premiums are impacted by the gross and ceded written premiums, earned ratably over time.

Our premiums are presented below for the years ended December 31, 2016 and 2015 (dollars in thousands):

Summary of Premium Revenue					
Years Ended December 31,					
	2016	2015	\$ Change	% Change	
Gross written premiums					
Commercial lines	\$ 88,242	\$ 68,197	\$ 20,045	29.4%	
Personal lines	26,681	25,553	1,128	4.4%	
Total	<u>\$ 114,923</u>	<u>\$ 93,750</u>	<u>\$ 21,173</u>	22.6%	
Net written premiums					
Commercial lines	\$ 78,439	\$ 58,157	\$ 20,282	34.9%	
Personal lines	21,490	21,517	(27)	(0.1%)	
Total	<u>\$ 99,929</u>	<u>\$ 79,674</u>	<u>\$ 20,255</u>	25.4%	
Net Earned premiums					
Commercial lines	\$ 68,921	\$ 48,586	\$ 20,335	41.9%	
Personal lines	20,706	18,179	2,527	13.9%	
Total	<u>\$ 89,627</u>	<u>\$ 66,765</u>	<u>\$ 22,862</u>	34.2%	

Gross written premiums increased \$21.2 million , or 22.6% , to \$114.9 million for the year ended December 31, 2016 , as compared to \$93.8 million for the same period in 2015 . The increase was driven by continued growth in our commercial lines. These results reflect our continued execution of our growth initiatives in the niche commercial insurance markets and our strategic change in the mix of business of our personal lines.

Commercial lines gross written premiums increased \$20.0 million , or 29.4% , to \$88.2 million for the year ended December 31, 2016 , as compared to \$68.2 million for the year ended December 31, 2015 . This increase was primarily driven by expansion in the hospitality and security services product lines.

Personal lines gross written premiums increased \$1.1 million , or 4.4% , to \$26.7 million for the year ended December 31, 2016 , as compared to \$25.6 million for the same period in 2015 . This was largely driven by favorable growth of 38% in the Company's low-value dwelling product line, partially offset by reduction in gross written premiums in the Florida homeowners business as well as the personal automobile business which is in runoff.

Net written premiums increased \$20.3 million , or 25.4% , to \$99.9 million for the year ended December 31, 2016 , as compared to \$79.7 million for the year ended December 31, 2015 . This result is consistent with the 22.6% increase in gross written premiums.

Other Income

Other income consists primarily of fees charged to policyholders by the Company for services outside of the premium charge, such as installment billings or policy issuance costs. Commission income is also received by the Company's insurance agencies for writing policies for third party insurance companies. Other income for the year December 31, 2016 decreased \$549,000 , or 32.9% , to \$1.1 million as compared to \$1.7 million for the year ended December 31, 2015 . The decrease was primarily due to the deconsolidation of the Affiliate at September 30, 2015. Prior to the deconsolidation their income was recorded as other income, since then their net profit or loss has been recorded as equity earnings.

Losses and Loss Adjustment Expenses

The tables below detail our losses and LAE and loss ratios for the years ended December 31, 2016 and 2015 (dollars in thousands).

Year Ended December 31, 2016	Commercial Lines	Personal Lines	Total
Accident year net losses and LAE	\$ 35,652	\$ 13,130	\$ 48,782
Net (favorable) adverse development	6,789	3,432	10,221
Calendar year net loss and LAE	<u>\$ 42,441</u>	<u>\$ 16,562</u>	<u>\$ 59,003</u>
Accident year loss ratio	51.4%	61.8%	53.7%
Net (favorable) adverse development	9.8%	16.1%	11.3%
Calendar year loss ratio	<u>61.2%</u>	<u>77.9%</u>	<u>65.0%</u>

Year Ended December 31, 2015	Commercial Lines	Personal Lines	Total
Accident year net losses and LAE	\$ 25,365	\$ 12,057	\$ 37,422
Net (favorable) adverse development	365	1,095	1,460
Calendar year net loss and LAE	<u>\$ 25,730</u>	<u>\$ 13,152</u>	<u>\$ 38,882</u>
Accident year loss ratio	51.1%	64.6%	54.7%
Net (favorable) adverse development	0.7%	5.9%	2.1%
Calendar year loss ratio	<u>51.8%</u>	<u>70.5%</u>	<u>56.8%</u>

Net losses and LAE increased by \$20.1 million, or 51.7%, for the year ended December 31, 2016, as compared to the same period in 2015. The increase was primarily due to a 34.2% increase in net earned premiums and \$10.2 million of unfavorable reserve development from prior years. The calendar year loss ratios were 65.0% and 56.8% for the years ended December 31, 2016 and 2015, respectively. The 8.2 percentage point increase in our loss ratio was primarily attributable to the reserve strengthening in our Florida homeowners, commercial automobile and commercial liability lines of business.

Overall reserve development on prior accident years for the year ended December 31, 2016 was unfavorable by \$10.2 million, or 11.3 percentage points of the loss ratio. For the year ended December 31, 2016, this was made up of \$2.7 million of adverse development in both the wind-exposed homeowners and commercial auto lines of business as well as \$2.6 million and \$760,000 of adverse development in the hospitality line of business and personal auto lines of business, respectively.

Total reserve development on prior accident years for the year ended December 31, 2015 was unfavorable by \$1.5 million, or 2.1 percentage points of the loss ratio. For the year ended December 31, 2015, there was \$1.2 million and \$835,000 of unfavorable reserve development in the personal automobile and commercial automobile lines, respectively. This unfavorable development was partially offset by \$320,000, \$189,000, and \$101,000 of favorable reserve development in the workers' compensation line, the low-value dwelling lines and the other liability line, respectively.

Expense Ratio

Our expense ratio is calculated by dividing the sum of policy acquisition costs and operating expenses by the sum of net earned premiums and other income. We use the expense ratio to evaluate the operating efficiency of our consolidated operations and each segment. Costs that are not readily identifiable as a direct cost of a segment or product line remain in Corporate and Other for segment reporting purposes.

The table below provides the expense ratio by major component:

	Years Ended December 31,	
	2016	2015
Commercial Lines		
Policy acquisition costs	26.8%	24.0%
Operating expenses	9.7%	10.0%
Total	<u>36.5%</u>	<u>34.0%</u>
Personal Lines		
Policy acquisition costs	31.6%	22.7%
Operating expenses	13.7%	17.7%
Total	<u>45.3%</u>	<u>40.4%</u>
Corporate and Other		
Operating expenses	8.7%	9.5%
Total	<u>8.7%</u>	<u>9.5%</u>
Consolidated		
Policy acquisition costs	27.8%	23.7%
Operating expenses	19.4%	21.6%
Total	<u>47.2%</u>	<u>45.3%</u>

Our expense ratio increased by 1.9 percentage points for the year ended December 31, 2016, as compared to the same period in 2015. The increase in the ratio was primarily due to increased policy acquisition costs as ceding commissions from a quota share agreement reduced commission expense in the first seven months of 2015. This increase was partially offset by improved operating expense ratios as we gained efficiencies from an improved earned premium base.

Policy acquisition costs are costs we incur to issue policies, which include commissions, premium taxes, underwriting reports and underwriter compensation costs. The Company offsets direct commissions with ceded commissions from reinsurers. The percentage of policy acquisition costs to net earned premiums and other income increased to 27.8% for the year ended December 31, 2016, compared to 23.7% in 2015, primarily due to the termination of a quota share reinsurance agreement in August 2015, which had previously reduced commission expense from ceding commission received from the reinsurer. The Company's direct commission expense rate was consistent between 2015 and 2016.

Operating expenses consist primarily of employee compensation, information technology and occupancy costs, such as rent and utilities. Operating expenses as a percent of net earned premiums and other income was 19.4% and 21.6% for the years ended December 31, 2016 and 2015, respectively. Earned premium growth on a more fixed operating expense structure has helped to reduce the operating expense ratio, which is expected to continue to decline as our earned premium grows.

Underwriting Results

We measure the performance of our consolidated results, in part, based on our underwriting gain or loss. The following table provides the underwriting gain or loss for the years ended December 31, 2016 and 2015 (dollars in thousands):

	Underwriting Gain (Loss)			
	Years Ended December 31,		\$ Change	% Change
	2016	2015		
Commercial Lines	\$ 1,531	\$ 7,035	\$ (5,504)	(78.2)%
Personal Lines	(4,929)	(2,035)	(2,894)	142.2 %
Corporate and Other	(7,736)	(6,439)	(1,297)	20.1 %
Total	\$ (11,134)	\$ (1,439)	\$ (9,695)	*

* Percentage change is not meaningful

Investment Income

Net investment income increased by \$271,000 , or 14.2% , to \$2.2 million for the year ended December 31, 2016 , as compared to \$1.9 million for the year ended December 31, 2015 . This increase was the result of growth of the investment portfolio and a change in the mix of investments. Average invested assets as of December 31, 2016 were \$123.1 million as compared to \$111.5 million at December 31, 2015 , an increase of \$11.6 million , or 10.4% . As of December 31, 2016 , the average invested asset balance was comprised of 89.4% fixed maturities, 3.6% equity securities and 7.0% short-term investments, compared to the December 31, 2015 mix of 85.8% fixed maturities, 3.8% equity securities and 10.4% short term investments.

The portfolio's average quality was AA at December 31, 2016 and 2015 . The portfolio produced a tax equivalent book yield of 2.2 % and 2.1% for the years ended December 31, 2016 and 2015 , respectively. The average duration of the fixed maturity portfolio was 3.2 years and 3.1 years at December 31, 2016 and 2015 .

Interest Expense

Interest expense was \$647,000 and \$769,000 for the years ended December 31, 2016 and 2015 , respectively. Interest expense decreased primarily due to the decrease in outstanding borrowings in 2016 until the fourth quarter when the company drew \$4.0 million on the Revolver. Prior to fourth quarter the borrowings were lower because the previously outstanding borrowings under the Revolver were repaid from the proceeds received from the Company's IPO, in August 2015.

Income Tax Expense

For the year ended December 31, 2016 , the Company had \$0 of current federal income tax expense due to current year losses, which can provide no benefit, and \$70,000 of state income tax expense. The Company also had a deferred tax benefit of \$147,000 related to a \$400,000 write-off of intangible assets resulting from the merger of ACIC into WPIC in 2016 . For the year ended December 31, 2015, the Company had \$0 of federal income tax expense and \$48,000 of state income tax expense.

The Company has established an \$8.4 million valuation allowance against 100% of the net deferred tax assets for 2016 , which would increase book value per share by \$1.10 if reversed in the future, based on current income tax rates. The valuation allowance was \$5.2 million for 2015 . As of December 31, 2016 , the Company has net operating loss carryforwards for federal income tax purposes of \$22.8 million , which expire in tax years 2019 through 2036. Of this amount, \$15.1 million are limited in the amount that can be utilized in any one year and may expire before they are realized under Section 382 of the Internal Revenue Code. The Company has state net operating loss carryforwards of \$8.7 million , which expire in tax years 2030 through 2036.

Results of Operations - 2015 Compared to 2014

The following table summarizes our operating results for the years indicated (dollars in thousands):

Summary Operating Results

	Years Ended December 31,		\$ Change	% Change
	2015	2014		
Gross written premiums	\$ 93,750	\$ 83,847	\$ 9,903	11.8%
Net written premiums	\$ 79,674	\$ 66,299	\$ 13,375	20.2%
Net earned premiums	\$ 66,765	\$ 57,528	\$ 9,237	16.1%
Other income	1,667	1,809	(142)	(7.8%)
Losses and loss adjustment expenses, net	38,882	40,730	(1,848)	(4.5%)
Policy acquisition costs	16,183	14,696	1,487	10.1%
Operating expenses	14,806	12,139	2,667	22.0%
Underwriting gain (loss)	(1,439)	(8,228)	6,789	*
Net investment income	1,902	1,175	727	61.9%
Net realized investment gains	285	417	(132)	(31.7%)
Other gains	104	—	104	*
Interest expense	769	584	185	31.7%
Income (loss) before income taxes	83	(7,220)	7,303	*
Income tax expense (benefit)	48	(281)	329	*
Equity earnings (losses) in affiliates, net of tax	(52)	—	(52)	*
Net income (loss)	\$ (17)	\$ (6,939)	\$ 6,922	*
Underwriting Ratios:				
Loss ratio	56.8%	68.6%		
Expense ratio	45.3%	45.2%		
Combined ratio	102.1%	113.8%		

* Percentage change is not meaningful

Premiums

Earned premiums are earned ratably over the term of the policy, whereas written premiums are reflected on the effective date of the policy. All commercial lines and homeowners products have annual policies, under which premiums are earned evenly over one year. Almost all personal automobile policies are six month term policies under which premiums are earned evenly over a six-month period. The resulting net earned premiums are impacted by the gross and ceded written premiums, earned ratably over time.

Our premiums are presented below for the years ended December 31, 2015 and 2014 (dollars in thousands):

Summary of Premium Revenue

	Years Ended December 31,		\$ Change	% Change
	2015	2014		
Gross written premiums				
Commercial lines	\$ 68,197	\$ 55,056	\$ 13,141	23.9%
Personal lines	25,553	28,791	(3,238)	(11.2%)
Total	<u>\$ 93,750</u>	<u>\$ 83,847</u>	<u>\$ 9,903</u>	11.8%
Net written premiums				
Commercial lines	\$ 58,157	\$ 40,958	\$ 17,199	42.0%
Personal lines	21,517	25,341	(3,824)	(15.1%)
Total	<u>\$ 79,674</u>	<u>\$ 66,299</u>	<u>\$ 13,375</u>	20.2%
Net Earned premiums				
Commercial lines	\$ 48,586	\$ 35,749	\$ 12,837	35.9%
Personal lines	18,179	21,779	(3,600)	(16.5%)
Total	<u>\$ 66,765</u>	<u>\$ 57,528</u>	<u>\$ 9,237</u>	16.1%

Gross written premiums increased \$9.9 million , or 11.8% , to \$93.8 million for the year ended December 31, 2015 , as compared to \$83.8 million for the same period in 2014 . The increase was driven by continued growth in our commercial lines, offset by the run-off personal automobile line. These results reflect our continued execution of our growth initiatives in the niche commercial insurance markets and our strategic change in the mix of business of our personal lines.

Commercial lines gross written premiums increased \$13.1 million , or 23.9% , to \$68.2 million for the year ended December 31, 2015 , as compared to \$55.1 million for the year ended December 31, 2014 . This increase was primarily driven by the commercial multi-peril and other liability lines, which together grew by 22.1% year over year, largely due to expansion in the hospitality and security services product lines.

Personal lines gross written premiums decreased \$3.2 million , or 11.2% , to \$25.6 million for the year ended December 31, 2015 , as compared to \$28.8 million for the same period in 2014 . The premium decline was driven by the run-off of our personal automobile line in 2015 , which saw a \$7.3 million decline in premiums, year over year, for 2015 . Partially offsetting the lower personal automobile premiums was a \$4.1 million increase in premiums for our homeowners line of business. Homeowner premiums grew as a result of strategic underwriting and marketing changes to these lines implemented in late 2014. These changes favorably impacted our personal lines mix of business and drove a 40% increase in premiums in our more profitable wind-exposed business.

Net written premiums increased \$13.4 million , or 20.2% , to \$79.7 million for the year ended December 31, 2015 , as compared to \$66.3 million for the year ended December 31, 2014 . Of this increase, \$7.3 million is due to the termination of a quota share reinsurance agreement which occurred on August 1, 2015. The quota share arrangement was terminated as management determined the Company no longer needed the leverage support of this reinsurance arrangement due to the added capital raised from the IPO. Excluding the impact of the quota share reinsurance agreement, the net written premiums for the year ended December 31, 2015 increased \$6.1 million compared to the same period in 2014 .

Other Income

Other income consists primarily of fees charged to policyholders by the Company for services outside of the premium charge, such as installment billings or policy issuance costs. Commission income is also received by the Company's insurance agencies for writing policies for third party insurance companies. Other income for the year December 31, 2015 decreased \$142,000 , or 7.8% , to \$1.7 million as compared to \$1.8 million for the year ended December 31, 2014 .

Losses and Loss Adjustment Expenses

The tables below detail our losses and LAE and loss ratios for the years ended December 31, 2015 and 2014 (dollars in thousands).

Year Ended December 31, 2015	Commercial Lines	Personal Lines	Total
Accident year net losses and LAE	25,366	12,058	\$ 37,424
Net (favorable) adverse development	364	1,094	\$ 1,458
Calendar year net loss and LAE	<u>\$ 25,730</u>	<u>\$ 13,152</u>	<u>\$ 38,882</u>
Accident year loss ratio	51.1%	64.6%	54.7%
Net (favorable) adverse development	0.7%	5.9%	2.1%
Calendar year loss ratio	<u>51.8%</u>	<u>70.5%</u>	<u>56.8%</u>

Year Ended December 31, 2014	Commercial Lines	Personal Lines	Total
Accident year net losses and LAE	\$ 21,803	\$ 20,120	\$ 41,923
Net (favorable) adverse development	(1,182)	(11)	(1,193)
Calendar year net loss and LAE	<u>\$ 20,621</u>	<u>\$ 20,109</u>	<u>\$ 40,730</u>
Accident year loss ratio	59.5%	88.7%	70.7%
Net (favorable) adverse development	(3.3%)	0.0%	(2.1%)
Calendar year loss ratio	<u>56.2%</u>	<u>88.7%</u>	<u>68.6%</u>

Net losses and LAE decreased by \$1.8 million, or 4.5%, for the year ended December 31, 2015, as compared to the same period in 2014. The decrease in our net losses and LAE was attributable to a number of factors, including a significant reduction in weather-related property losses which were historically high in 2014, a decrease in losses in low-value dwelling resulting from our underwriting changes in late 2014, and an increase in ceded losses under the quota share reinsurance agreement. Partially offsetting these items were increases to net losses and LAE due to increases in the overall growth of our business as well as the strengthening of our commercial automobile reserves and losses in our run-off personal automobile line of business.

The calendar year loss ratios were 56.8% and 68.6% for the years ended December 31, 2015 and 2014, respectively. The 11.8 percentage point decrease in the loss ratio was mainly the result of lower losses in the low-value dwelling and commercial multi-peril lines. Both lines experienced losses that were historically higher in 2014 due to weather-related property damage. In addition, the mix of business continues to evolve as our lines of business with historically lower overall loss ratios grow (such as wind-exposed homeowners, and commercial liability lines), and the historically higher loss ratio businesses decline (such as low-value dwelling in the Midwest and nonstandard automobile).

Overall reserve development on prior accident years for the year ended December 31, 2015 was unfavorable by \$1.5 million, or 2.1 percentage points of the loss ratio. For the year ended December 31, 2015, there was \$1.2 million and \$835,000 of unfavorable reserve development in the personal automobile and commercial automobile lines, respectively. This unfavorable development was partially offset by \$320,000, \$189,000, and \$101,000 of favorable reserve development in the workers' compensation line, the low-value dwelling lines and the other liability line, respectively.

Total reserve development on prior accident years for the year ended December 31, 2014 was favorable by \$1.2 million, or 2.1 percentage points of the loss ratio. For the year ended December 31, 2014, there was \$702,000 and \$509,000 of favorable reserve development in the commercial multi-peril and other liability lines, respectively.

Expense Ratio

Our expense ratio is calculated by dividing the sum of policy acquisition costs and operating expenses by the sum of net earned premiums and other income. We use the expense ratio to evaluate the operating efficiency of our consolidated operations and each segment. Costs that are not readily identifiable as a direct cost of a segment or product line remain in Corporate and Other for segment reporting purposes.

The table below provides the expense ratio by major component:

	Years Ended December 31,	
	2015	2014
Commercial Lines		
Policy acquisition costs	24.0%	25.1%
Operating expenses	10.0%	12.5%
Total	34.0%	37.6%
Personal Lines		
Policy acquisition costs	22.7%	24.2%
Operating expenses	17.7%	10.8%
Total	40.4%	35.0%
Corporate and Other		
Operating expenses	9.5%	8.6%
Total	9.5%	8.6%
Consolidated		
Policy acquisition costs	23.7%	24.8%
Operating expenses	21.6%	20.4%
Total	45.3%	45.2%

Our expense ratio remained flat for the year ended December 31, 2015, as compared to the same period in 2014. The expense ratio remained consistent with the prior year as we saw an increase in our expenses, and our earned premium base has not yet grown sufficiently to show a reduction in the expense ratio.

Policy acquisition costs are costs we incur to issue policies, which include commissions, premium taxes, underwriting reports and underwriter compensation costs. The Company offsets direct commissions with ceded commissions from reinsurers. The percentage of policy acquisition costs to net earned premiums and other income decreased slightly to 23.7% for the year ended December 31, 2015, compared to 24.8% in 2014.

Operating expenses consist primarily of employee compensation, information technology and occupancy costs, such as rent and utilities. Operating expenses as a percent of net earned premiums and other income was 21.6% and 20.4% for the years ended December 31, 2015 and 2014, respectively. The 1.2 percentage point increase was due to the expansion of our underwriting operations, more specifically, the addition of our security guard team in late 2014 that began contributing premium at the beginning of 2015; the low-value dwelling team, located in the southwest United States, which was formed in early 2015 and began writing business in May 2015; and the hospitality team that joined the Company in the fourth quarter of 2015 and did not start binding policies until January 2016. For the year, expenses also increased as we added corporate staff to support the new underwriting teams and manage responsibilities associated with our recent status as a public company. The increase in the operating expenses as a percentage of net earned premiums and other income was also due to underwriting and administrative expenses related to our run-off personal automobile line (that had very little earned premium in 2015). The expenses related to the run-off business are expected to significantly decline in 2016.

Underwriting Results

We measure the performance of our consolidated results, in part, based on our underwriting gain or loss. The following table provides the underwriting gain or loss for the years ended December 31, 2015 and 2014 (dollars in thousands):

	Underwriting Gain (Loss)			
	Years Ended December 31,		\$ Change	% Change
2015	2014			
Commercial Lines	\$ 7,035	\$ 2,271	\$ 4,764	*
Personal Lines	\$ (2,035)	\$ (5,366)	\$ 3,331	*
Corporate and Other	(6,439)	(5,133)	(1,306)	25.4%
Total	\$ (1,439)	\$ (8,228)	\$ 6,789	*

* Percentage change is not meaningful

Investment Income

Net investment income increased by \$727,000, or 61.9%, to \$1.9 million for the year ended December 31, 2015, as compared to \$1.2 million for the year ended December 31, 2014. This increase was the result of growth of the investment portfolio and a change in the mix of investments. Average invested assets as of December 31, 2015 were \$111.5 million as compared to \$81.2 million at December 31, 2014, an increase of \$30.3 million, or 37.3%. As of December 31, 2015, the average invested asset balance was comprised of 85.8% fixed maturities, 3.8% equity securities and 10.4% short-term investments, compared to the December 31, 2014 mix of 79.2% fixed maturities, 4.8% equity securities and 16.0% short term investments.

The portfolio's average quality was AA at December 31, 2015 and December 31, 2014. The portfolio produced a tax equivalent book yield of 2.1% and 1.9% for the years ended December 31, 2015 and 2014, respectively. The average duration of the fixed maturity portfolio was 3.1 years at December 31, 2015 and 2014.

Interest Expense

Interest expense was \$769,000 and \$584,000 for the years ended December 31, 2015 and 2014, respectively. Interest expense increased primarily due to the additional outstanding borrowings under the Revolver and 2014 Term Note. The outstanding borrowings under the Revolver were repaid from the proceeds received from the Company's IPO, in August 2015.

Income Tax Expense

For the year ended December 31, 2015, the Company had \$0 of federal income tax expense due to a valuation allowance that offset any use of prior period net operating loss carryforwards and \$48,000 of state income tax expense. The income tax benefit of \$281,000 for the year ended December 31, 2014 relates to the impact of changes to net unrealized gains during the year. This tax effect was included in the change in other comprehensive income and the corresponding change to the valuation allowance was reflected in the consolidated statement of operations as a deferred tax benefit.

The Company has established a \$5.2 million valuation allowance against 100% of the net deferred tax assets for 2015 and a \$6.9 million valuation allowance for 2014. As of December 31, 2015, the Company has net operating loss carryforwards for federal income tax purposes of \$17.4 million, which expire in tax years 2019 through 2035. Of this amount, \$15.2 million are limited in the amount that can be utilized in any one year and may expire before they are realized under Section 382 of the Internal Revenue Code. The Company has state net operating loss carryforwards of \$7.8 million, which expire in tax years 2029 through 2035.

Liquidity and Capital Resources

Sources and Uses of Funds

At December 31, 2016, we had \$23.3 million in cash and short-term investments. Our principal sources of funds, excluding capital raises, are insurance premiums, investment income, proceeds from maturity and sale of invested assets and installment fees. These funds are primarily used to pay claims, commissions, employee compensation, taxes and other operating expenses, and service debt.

We believe that our existing cash, short-term investments and investment securities balances and the \$7.0 million available under our revolving credit line, will be adequate to meet our capital and liquidity needs and the needs of our subsidiaries on a short-term and long-term basis.

We conduct our business operations primarily through our Insurance Company Subsidiaries. Our ability to service debt, and pay administrative expenses is primarily reliant upon our intercompany service fees paid by the Insurance Company Subsidiaries to the holding company for management, administrative, and information technology services provided to the Insurance Company Subsidiaries by the holding company. Secondly, the holding company may receive dividends from the Insurance Company Subsidiaries; however, this is not the primary means in which the holding company supports its funding as state insurance laws restrict the ability of our Insurance Company Subsidiaries to declare dividends to the holding company under certain circumstances. Generally, the limitations are based on the greater of statutory net income for the preceding year or 10% of statutory surplus at the end of the preceding year. There were \$5.5 million, \$3.1 million and \$500,000 of dividends paid from our Insurance Company Subsidiaries to the holding company during the years ended December 31, 2016, 2015 and 2014, respectively.

We contributed \$2.1 million to our Insurance Company Subsidiaries in 2016 to increase their statutory surplus levels. We believe that the current statutory surplus levels and the funds available at the holding company level will provide the necessary statutory capital to support our premium volume growth over the next two years.

On August 18, 2015, the Company completed its IPO in which it issued and sold 3,300,000 shares of common stock at an IPO of \$10.50 per share. The Company received net proceeds of \$30.4 million after deducting underwriting discounts and commissions of \$2.4 million and other offering expenses of \$1.8 million.

Cash Flows

Operating Activities. Cash provided by operating activities for the year ended December 31, 2016, was \$6.2 million as compared to cash used in operating activities of \$3.1 million for the year ended December 31, 2015. The increase in cash provided by operations was attributable to the overall growth of the business.

Cash used in operating activities for the year ended December 31, 2015 was \$3.1 million as compared to cash provided by operating activities of \$6.3 million for December 31, 2014. \$7.3 million of the change in cash from operating activities in 2015 from 2014 was primarily attributable to the change in the ceded unearned premium related to the quota share arrangement which was adopted December 31, 2014 and dissolved August 1, 2015.

Investing Activities. Cash used in investing activities for the year ended December 31, 2016, was \$10.8 million as compared to \$15.3 million for the same period in 2015. The fluctuation in the funds used in routine investing activities was due to the timing of standard purchases and sales to fund our insurance operations.

Net cash used in investing activities for the year ended December 31, 2015 was \$15.3 million and was primarily attributable to net investments into fixed maturity securities of \$23.9 million, offset by the sale of short term investments of \$10.3 million.

Net cash used in investing activities for the year ended December 31, 2014 was \$47.7 million and was primarily attributable to net investments into fixed maturity securities of \$38.3 million and short term investments of \$7.5 million.

Financing Activities. Cash provided by financing activities for the year ended December 31, 2016, was \$4.4 million as compared to \$12.6 million for the same period in 2015. The higher cash provided by financing activities in 2015 was from the proceeds of the initial public offering, partially offset by the repayment of the line of credit.

During the year ended December 31, 2015, we received net funds of \$30.4 million from our IPO, received proceeds of \$3.1 million for common stock issued to former holders of preferred stock. In addition, we used \$6.3 million of the proceeds to repurchase outstanding shares of preferred stock and pay accrued preferred, used \$17.0 million to pay off our revolving line of credit, received proceeds from our revolving line of credit of \$4.4 million, and used \$1.8 million for our routine payments on our term loans.

During the year ended December 31, 2014, the \$48.6 million of cash provided by financing activities was primarily attributable to \$28.5 million of cash raised through the issuance of common stock, \$6.1 million from the issuance of preferred stock and \$14.5 million of additional net senior debt borrowings.

Outstanding Debt

We are party to a \$30.0 million senior credit facility (the "Credit Facility") with Comerica Bank which currently consists of the 2014 Term Note of \$7.5 million, the Term Note of \$5.0 million and the Revolver with an available \$17.5 million. The Revolver was renewed on November 30, 2016 and the maturity date extended to August 1, 2018. Our total outstanding senior debt at December 31, 2016, was \$17.8 million. Our minimum principal and interest payments on our senior debt for future years is \$3.3 million for 2017, and \$15.7 million for 2018-2019.

The Credit Facility contains various restrictive covenants that relate to the Company's shareholders' equity, premiums-to-capital and surplus ratios, fixed-charge coverage ratio, risk-based capital ratios, and A.M. Best ratings of its Insurance Company Subsidiaries. At December 31, 2016, the Company was in compliance with all of its Credit Facility covenants except for a minimum tangible net worth (as defined by the agreement) requirement to remain above \$65.0 million. The Company's tangible net worth was \$64.1 million at December 31, 2016. The Company received a waiver on March 13, 2017 for this covenant breach as of December 31, 2016, and the agreement was amended to reduce the minimum requirement to \$62.0 million from March 31, 2017 to December 30, 2017 and \$64.0 million from December 31, 2017 and thereafter, which management expects the Company will exceed in future periods.

Contractual Obligations and Commitments

The following table is a summary of our contractual obligations and commitments as of December 31, 2016 (dollars in thousands):

	Payments due by period				
	Total	Less than one year	One to three years	Three to five years	More than five years
Revolver	\$ 10,500	\$ —	\$ 10,500	\$ —	\$ —
Term Note	1,750	1,000	750	—	—
2014 Term Note	5,500	1,500	4,000	—	—
Total Debt	17,750	2,500	15,250	—	—
Interest on Revolver	870	548	322	—	—
Interest on Term Note	52	41	11	—	—
Interest on 2014 Term Note	329	172	157	—	—
Total Interest Payable	1,251	761	490	—	—
Operating Lease Obligations	5,230	929	1,467	1,267	1,567
Loss and loss adjustment expense (1)	54,651	22,407	22,232	7,443	2,569
Purchase Obligations (2)	1,710	360	720	630	—
Total	\$ 80,592	\$ 26,957	\$ 40,159	\$ 9,340	\$ 4,136

(1) The estimated unpaid loss and loss adjustment expense payments were made using estimates based on historical payment patterns, however, future payments may be different than historical payment patterns.

(2) Includes estimated future payments under the software license agreement relating to our policy issuance system. This agreement requires minimum monthly payments of \$30,000, and is variable with premium volume. The future payment assumptions are based on the minimum monthly payments. The software license agreement expires on September 30, 2022.

Regulatory and Rating Issues

The NAIC has a RBC formula to be applied to all property and casualty insurance companies. The formula measures required capital and surplus based on an insurance company's products and investment portfolio and is used as a tool to evaluate the capital of regulated companies. The RBC formula is used by state insurance regulators to monitor trends in statutory capital and surplus for the purpose of initiating regulatory action. In general, an insurance company must submit a calculation of its RBC formula to the insurance department of its state of domicile as of the end of the previous calendar year. These laws require increasing degrees of regulatory oversight and intervention as an insurance company's RBC declines.

At December 31, 2016, both of our Insurance Company Subsidiaries were in excess of any minimum threshold at which corrective action would be required.

Insurance operations are subject to various leverage tests (e.g., premium-to-statutory surplus ratios), which are evaluated by regulators and rating agencies. As of December 31, 2016, on a trailing twelve-month statutory combined basis, the gross written and net written premium leverage ratios were 1.9 to 1.0 and 1.6 to 1.0, respectively.

The NAIC's Insurance Regulatory Information System ("IRIS") was developed to assist state insurance departments in executing their statutory mandates to oversee the financial condition of insurance companies operating in their respective states. IRIS identifies thirteen industry ratios and specifies "usual values" for each ratio. State insurance regulators review the IRIS ratio results to determine if an insurer is in need of further regulatory scrutiny or action. While the ratios, individually and collectively, are useful tools for identifying companies that may be experiencing financial difficulty, they are only a guide for regulators and should not be considered an absolute indicator of a Company's financial condition. While inquiries from regulators are not uncommon, our Insurance Company Subsidiaries have not experienced any regulatory actions due to their IRIS ratio results or otherwise.

Recently Issued Accounting Pronouncements

Refer to Note 1 ~ *Summary of Significant Accounting Policies – Recently Issued Accounting Guidance* of the Notes to the Consolidated Financial Statements for detailed information.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, as well as, other relevant market rates or price changes. The volatility and liquidity in the markets in which the underlying assets are traded directly influence market risk. The following is a discussion of our primary risk exposures and how those exposures are currently managed as of December 31, 2016. Our market risk sensitive instruments are primarily related to fixed income securities, which are available for sale and not held for trading purposes.

Interest Rate Risk

At December 31, 2016 and 2015, the fair value of our investment portfolio, excluding cash and cash equivalents, was \$128.5 million and \$117.7 million, respectively. Our investment portfolio consists principally of investment-grade, fixed-income securities, all of which are classified as available for sale. Accordingly, the primary market risk exposure to our debt securities is interest rate risk. In general, the fair market value of a portfolio of fixed-income securities increases or decreases inversely with changes in market interest rates, while net investment income realized from future investments in fixed-income securities increases or decreases along with interest rates. We attempt to mitigate interest rate risks by investing in securities with varied maturity dates and by managing the duration of our investment portfolio to a defined range of three to four years. The effective duration of our portfolio as of December 31, 2016 and 2015 was 3.2 and 3.1 years, respectively.

The table below summarizes our interest rate risk. The table also illustrates the sensitivity of the fair value of fixed-income investments, classified as fixed maturity securities and short-term investments, to selected hypothetical changes in interest rates as of December 31, 2016. The selected scenarios are not predictions of future events, but rather illustrate the effect that events may have on the fair value of the fixed-income portfolio and shareholders' equity (dollars in thousands).

Hypothetical Change in Interest Rates As of December 31, 2016	Estimated Fair Value	Estimated Change in Fair Value	Hypothetical Percentage Increase (Decrease) in	
			Fair Value	Shareholders' Equity
200 basis point increase	116,266	(7,685)	(6.2)%	(11.3)%
100 basis point increase	120,109	(3,842)	(3.1)%	(5.7)%
No change	123,951	—	— %	— %
100 basis point decrease	127,422	3,471	2.8 %	5.1 %
200 basis point decrease	129,529	5,578	4.5 %	8.2 %

Credit Risk

An additional exposure to our fixed-income securities portfolio is credit risk. We manage our credit risk by investing only in investment-grade securities. In addition, we comply with applicable statutory requirements which limit the portion of our total investment portfolio that we can invest in any one security.

We are subject to credit risks with respect to our reinsurers. Although a reinsurer is liable for losses to the extent of the coverage which it assumes, our reinsurance contracts do not discharge our insurance companies from primary liability to each policyholder for the full amount of the applicable policy, and consequently our insurance companies remain obligated to pay claims in accordance with the terms of the policies regardless of whether a reinsurer fulfills or defaults on its obligations under the related reinsurance agreement. To mitigate our credit risk to reinsurance companies, we attempt to select financially strong reinsurers with an A.M. Best rating of "A-" or better and continue to evaluate their financial condition throughout the duration of our agreements.

At December 31, 2016 and 2015, the net amount due to the Company from reinsurers, including prepaid reinsurance, was \$11.6 million and \$10.5 million, respectively. We believe all amounts recorded as due from reinsurers are recoverable.

Effects of Inflation

We do not believe that inflation has a material effect on our results of operations, except for the effect that inflation may have on interest rates and claims costs. We consider the effects of inflation in pricing and estimating reserves for unpaid losses and LAE. The actual effects of inflation on our results are not known until claims are ultimately settled. In addition to general price inflation, we are exposed to a long-term upward trend in the cost of judicial awards for damages.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Refer to list of Financial Statement Schedules (including the Report of Independent Registered Public Accounting Firm referenced therein) set forth in Item 15 of this Annual Report on Form 10-K and Note 19 ~ *Quarterly Financial Data (Unaudited)* of the Notes to the Consolidated Financial Statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management, including its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of December 31, 2016. Based on such evaluations, the Chief Executive Officer and Chief Financial Officer have concluded the Company's disclosure controls and procedures are effective in recording, processing, summarizing, and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, and that information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting based on the framework in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the Company's management has concluded that, as of December 31, 2016, the Company's internal control over financial reporting was effective.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

There was no change in internal controls over financial reporting during the quarter ended December 31, 2016 that has materially affected, or is reasonably likely to materially effect, our internal controls over financial reporting.

Attestation Report of the Registered Public Accounting Firm

This Annual Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting as required by Section 404(c) of the Sarbanes Oxley Act of 2002. Because we qualify as an emerging growth company under the JOBS Act, management's report was not subject to attestation by our independent registered public accounting firm.

ITEM 9B. OTHER INFORMATION

None.

PART III

Certain information required by Part III is omitted from this Report in that the Registrant will file a definitive Proxy Statement pursuant to Regulation 14A (the "Proxy Statement") not later than 120 days after the end of the fiscal year covered by this report and certain information included therein is incorporated herein by reference. Only those sections of the Proxy Statement that specifically address the items set forth herein are incorporated by reference.

ITEMS 10 to 14

Items 10 through 14 (inclusive) of this Part III are not included herein because the Company will file a definitive Proxy Statement with the SEC that will include the information required by such Items, and such information is incorporated herein by reference. The Company's Proxy Statement will be filed with the SEC and delivered to stockholders in connection with the Annual Meeting of Shareholders to be held on May 17, 2017 and the information under the following captions is included in such incorporation by reference: *"Information about the Nominees, the Incumbent Directors and Other Executive Officers," "Corporate Governance," "Code of Conduct," "Report of the Audit Committee," "Section 16(a) Beneficial Ownership Reporting Compliance," "Compensation of Executive Officers," "Director Compensation," "Report of the Compensation Committee of the Board on Executive Compensation," "Compensation Committee Interlocks and Insider Participation", "Security Ownership of Certain Beneficial Owners and Management", "Certain Relationships and Related Party Transactions," "Independence Determination," and "The Second Proposal on Which You are Voting on Ratification of Appointment of Independent Registered Public Accounting Firm."* Our Code of Business Conduct and Ethics can be found on our website www.cnfrh.com.

CONIFER HOLDINGS, INC. AND SUBSIDIARIES

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this Report:

	Page No.
1. List of Financial Statements	
Report of Independent Registered Public Accounting Firm on Financial Statements	54
Consolidated Balance Sheets – December 31, 2016 and 2015	55
Consolidated Statements of Operations – For Years Ended December 31, 2016, 2015 and 2014	56
Consolidated Statements of Comprehensive Income (Loss) - For Years Ended December 31, 2016, 2015 and 2014	57
Consolidated Statement of Changes in Redeemable Preferred Stock and Shareholders' Equity - For Years Ended December 31, 2016, 2015 and 2014	58
Consolidated Statements of Cash Flows - For Years Ended December 31, 2016, 2015 and 2014	59
Notes to Consolidated Financial Statements	60
2. Financial Statement Schedules	
Schedule I – Summary of Investments Other Than Investments in Related Parties - Omitted as information is included in the consolidated financial statements or notes thereto	
Schedule II – Condensed Financial Information of Registrant	90
Schedule III – Supplementary Insurance Information – Omitted as information is included in the consolidated financial statements or notes thereto	
Schedule IV – Reinsurance – Omitted as information is included in the consolidated financial statements or notes thereto	
Schedule V – Valuation and Qualifying Accounts	94
Schedule VI – Supplemental Information Concerning Property and Casualty Insurance Operations – Omitted as information is included in the consolidated financial statements or notes thereto	
3. Exhibits – The Exhibits listed on the accompanying Exhibit Index immediately following the financial statement schedule are filed as part of, or incorporated by reference into, this Form 10-K	95

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Conifer Holdings, Inc.
Birmingham, Michigan

We have audited the accompanying consolidated balance sheets of Conifer Holdings, Inc. and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), changes in redeemable preferred stock and shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedules listed in the Index to Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Conifer Holdings, Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP

Detroit, Michigan

March 15, 2017

CONIFER HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(dollars in thousands)

	December 31,	
	2016	2015
Assets		
Investment securities:		
Fixed maturity securities, at fair value (amortized cost of \$113,915 and \$107,213, respectively)	\$ 113,163	\$ 107,093
Equity securities, at fair value (cost of \$4,283 and \$3,341, respectively)	4,579	4,240
Short-term investments, at fair value	10,788	6,391
Total investments	128,530	117,724
Cash	12,493	12,703
Premiums and agents' balances receivable, net	24,538	18,010
Receivable from Affiliate	1,751	1,792
Reinsurance recoverables on unpaid losses	6,658	5,405
Reinsurance recoverables on paid losses	840	1,639
Ceded unearned premiums	4,120	3,483
Deferred policy acquisition costs	13,290	12,102
Other assets	11,481	5,069
Total assets	\$ 203,701	\$ 177,927
Liabilities and Shareholders' Equity		
Liabilities:		
Unpaid losses and loss adjustment expenses	\$ 54,651	\$ 35,422
Unearned premiums	58,126	47,916
Reinsurance premiums payable	—	1,069
Senior debt	17,750	12,750
Accounts payable and accrued expenses	4,879	2,758
Other liabilities	501	750
Total liabilities	135,907	100,665
Commitments and contingencies (note 17)	—	—
Shareholders' equity:		
Common stock, no par value (100,000,000 shares authorized; 7,633,070 and 7,644,492 issued and outstanding, respectively)	80,342	80,111
Accumulated deficit	(11,468)	(3,031)
Accumulated other comprehensive income (loss)	(1,080)	182
Total shareholders' equity	67,794	77,262
Total liabilities and shareholders' equity	\$ 203,701	\$ 177,927

The accompanying notes are an integral part of the Consolidated Financial Statements.

CONIFER HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(dollars in thousands, except per share data)

	Year Ended December 31,		
	2016	2015	2014
Revenue			
Gross earned premiums	\$ 104,713	\$ 89,216	\$ 66,969
Ceded earned premiums	(15,086)	(22,451)	(9,441)
Net earned premiums	89,627	66,765	57,528
Net investment income	2,173	1,902	1,175
Net realized investment gains	1,365	285	417
Other gains (losses)	(400)	104	—
Other income	1,118	1,667	1,809
Total revenue	93,883	70,723	60,929
Expenses			
Losses and loss adjustment expenses, net	59,003	38,882	40,730
Policy acquisition costs	25,280	16,183	14,696
Operating expenses	17,596	14,806	12,139
Interest expense	647	769	584
Total expenses	102,526	70,640	68,149
Income (loss) before income taxes	(8,643)	83	(7,220)
Income tax expense (benefit)	(77)	48	(281)
Equity earnings (losses) in affiliates, net of tax	129	\$ (52)	—
Net income (loss)	(8,437)	(17)	(6,939)
Less net loss attributable to noncontrolling interest	—	(81)	(4)
Net income (loss) attributable to Conifer	<u>\$ (8,437)</u>	<u>\$ 64</u>	<u>\$ (6,935)</u>
Net income (loss) allocable to common shareholders	<u>\$ (8,437)</u>	<u>\$ (476)</u>	<u>\$ (7,200)</u>
Net income (loss) allocable to common shareholders per share, basic and diluted	<u>\$ (1.11)</u>	<u>\$ (0.09)</u>	<u>\$ (2.69)</u>
Weighted average common shares outstanding, basic and diluted	7,618,588	5,369,960	2,672,440

The accompanying notes are an integral part of the Consolidated Financial Statements.

CONIFER HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)
(dollars in thousands)

	Year Ended December 31,		
	2016	2015	2014
Net income (loss)	\$ (8,437)	\$ (17)	\$ (6,939)
Other comprehensive income (loss), net of tax:			
Unrealized investment gains (losses):			
Unrealized investment gains (losses) during the period	(2,139)	(274)	1,678
Income tax expense (benefit)	—	—	571
Unrealized investment gains (losses), net of tax	(2,139)	(274)	1,107
Less: reclassification adjustments to:			
Net realized investment gains included in net income (loss)	(877)	702	735
Income tax expense	—	—	250
Total reclassifications included in net income (loss), net of tax	(877)	702	485
Other comprehensive income (loss)	(1,262)	(976)	622
Total comprehensive income (loss)	(9,699)	(993)	(6,317)
Less comprehensive income (loss) attributable to noncontrolling interest	—	(81)	(4)
Comprehensive income (loss) attributable to Conifer	\$ (9,699)	\$ (912)	\$ (6,313)

The accompanying notes are an integral part of the Consolidated Financial Statements.

CONIFER HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statement of Changes in Redeemable Preferred Stock and Shareholders' Equity
(dollars in thousands)

For the Years ended December 31, 2016, 2015 and 2014

	Redeemable Preferred Stock		Preferred Stock		No Par, Common Stock		Retained Earnings (Accumulated deficit)	Accumulated Other Comprehensive Income	Total Conifer Holdings Shareholders' Equity	Noncontrolling Interest	Total Equity
	Shares	Amount	Shares	Amount	Shares	Amount					
Balances at December 31, 2013	—	\$ —	—	\$ —	1,749,626	\$16,883	\$ 3,851	\$ 536	\$ 21,270	\$ (19)	\$21,251
Net loss	—	—	—	—	—	—	(6,935)	—	(6,935)	(4)	(6,939)
Issuance of common stock	—	—	—	—	2,163,135	28,475	—	—	28,475	—	28,475
Conversion of note payable into shares of common stock	—	—	—	—	82,252	1,000	—	—	1,000	—	1,000
Issuance of Preferred Stock, \$10	—	—	66,000	660	—	—	—	—	660	—	660
Issuance of Redeemable Preferred Stock, \$100	54,000	5,400	—	—	—	—	—	—	—	—	—
Exchange of Preferred Stock for Redeemable Preferred Stock, \$100	6,600	660	(66,000)	(660)	—	—	—	—	(660)	—	—
Paid-in-kind dividends on redeemable Preferred Stock	—	59	—	—	—	(59)	—	—	(59)	—	(59)
Cash dividends paid on Preferred Stock	—	—	—	—	—	(180)	(11)	—	(191)	—	(191)
Other comprehensive income	—	—	—	—	—	—	—	622	622	—	622
Balances at December 31, 2014	60,600	\$ 6,119	—	\$ —	3,995,013	\$46,119	\$ (3,095)	\$ 1,158	\$ 44,182	\$ (23)	\$44,159
Net income (loss)	—	—	—	—	—	—	64	—	64	(81)	(17)
Issuance of common stock (Pre IPO)*	—	—	—	—	55,029	750	—	—	750	—	750
Paid-in-kind dividends	—	61	—	95	—	(156)	—	—	(61)	—	(61)
Cash dividends paid on preferred stock	—	—	—	—	—	(384)	—	—	(384)	—	(384)
Reclassification of redeemable preferred stock to permanent equity	(60,600)	(6,180)	60,600	6,180	—	—	—	—	6,180	—	6,180
Issuance of common stock (IPO)*	—	—	—	—	3,300,000	32,224	—	—	32,224	—	32,224
IPO Expenses*	—	—	—	—	—	(1,837)	—	—	(1,837)	—	(1,837)
Repurchase of preferred stock	—	—	(60,600)	(6,275)	—	—	—	—	(6,275)	—	(6,275)
Issuance of common stock to former preferred stockholders	—	—	—	—	294,450	3,092	—	—	3,092	—	3,092
RSU Expense**	—	—	—	—	—	303	—	—	303	—	303
Deconsolidation of affiliate	—	—	—	—	—	—	—	—	—	104	104
Other comprehensive loss	—	—	—	—	—	—	—	(976)	(976)	—	(976)

Balances at December 31, 2015	—	\$	—	—	\$	—	7,644,492	\$80,111	\$	(3,031)	\$	182	\$	77,262	\$	—	\$77,262
Net (loss)	—		—			—				(8,437)				(8,437)			(8,437)
Repurchase of common stock	—		—			(88,650)	(625)			—				(625)			(625)
RSU Expense **	—		—			77,228	856			—				856			856
Other comprehensive income	—		—			—	—			—		(1,262)		(1,262)			(1,262)
Balances at December 31, 2016	—	\$	—	—	\$	7,633,070	\$80,342	\$	(11,468)	\$	(1,080)	\$	67,794	\$	—	\$67,794	

* "IPO" - initial public offering

** "RSU" - restricted stock units

The accompanying notes are an integral part of the Consolidated Financial Statements.

CONIFER HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(dollars in thousands)

	Year Ended December 31,		
	2016	2015	2014
Cash Flows from Operating Activities			
Net income (loss)	\$ (8,437)	\$ (17)	\$ (6,939)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization of property and equipment, and intangibles	401	398	371
Amortization of bond premium and discount, net	589	629	527
Gains on investments	(1,365)	(285)	(417)
Other (gains) losses	400	(104)	—
Incentive awards expenses - RSU	856	303	—
Deferred income taxes	(147)	—	(302)
Other	(130)	(53)	14
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Premiums and agents' balances receivable	(6,487)	(3,765)	(2,174)
Reinsurance recoverables	(454)	(1,905)	(745)
Ceded unearned premiums	(637)	6,027	(8,106)
Deferred policy acquisition costs	(1,188)	(6,423)	68
Other assets	(7,139)	(904)	(526)
Increase (decrease) in:			
Unpaid losses and loss adjustment expenses	19,229	3,891	2,623
Unearned premiums	10,210	4,535	16,876
Reinsurance premiums payable	(1,069)	(6,000)	6,080
Accounts payable and accrued expenses	1,635	1,015	172
Other liabilities	(101)	(478)	(1,217)
Net cash (used in) provided by operating activities	<u>6,166</u>	<u>(3,136)</u>	<u>6,305</u>
Cash Flows From Investing Activities			
Purchase of investments:			
Fixed maturity securities	(46,511)	(33,271)	(44,632)
Equity securities	(3,908)	(1,507)	(1,392)
Short-term investments	(116,546)	(83,842)	(84,369)
Proceeds from maturities and redemptions of investments:			
Fixed maturity securities	5,980	1,400	4,892
Short-term investments	7,750	—	—
Proceeds from sales of investments:			
Fixed maturity securities	34,263	7,885	1,345
Equity securities	4,017	1,331	—
Short-term investments	104,399	94,200	76,900
Purchases of property and equipment	(195)	(167)	(444)
Deconsolidation of affiliate	—	(1,323)	—
Net cash used in investing activities	<u>(10,751)</u>	<u>(15,294)</u>	<u>(47,700)</u>
Cash Flows From Financing Activities			
Proceeds received from issuance of shares of common stock	—	36,066	28,475
Proceeds from issuance of shares of preferred stock	—	—	6,060
Repurchase of common stock	(625)	—	—
Repurchase of preferred stock	—	(6,275)	—
Borrowings under debt arrangements	7,000	4,400	18,500
Repayment of borrowings under debt arrangements	(2,000)	(19,212)	(4,075)
Dividends paid to preferred shareholders	—	(384)	(191)
Payout of contingent consideration	—	(113)	(182)

Payment of offering costs	—	(1,837)	—
Net cash provided by financing activities	4,375	12,645	48,587
Net (decrease) increase in cash	(210)	(5,785)	7,192
Cash at beginning of period	12,703	18,488	11,296
Cash at end of period	\$ 12,493	\$ 12,703	\$ 18,488

Supplemental Disclosure of Cash Flow Information:

Interest paid	\$ 641	\$ 844	\$ 510
Net income taxes paid	—	—	—
Paid-in-kind dividends	—	61	59
Payable for securities - non cash item	486	20	33

The accompanying notes are an integral part of the Consolidated Financial Statements.

CONIFER HOLDINGS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Management Representation

The consolidated financial statements include accounts, after elimination of intercompany accounts and transactions, of Conifer Holdings, Inc. (the "Company" or "Conifer"), its wholly owned subsidiaries Conifer Insurance Company ("CIC"), Red Cedar Insurance Company ("RCIC"), White Pine Insurance Company ("WPIC"), and Sycamore Insurance Agency, Inc ("SIA"). CIC, WPIC, and RCIC are collectively referred to as the "Insurance Company Subsidiaries." On a stand-alone basis Conifer Holdings, Inc is referred to as the "Parent Company." On December 30, 2016, the Company's wholly owned subsidiary, American Colonial Insurance Company ("ACIC") was merged into WPIC.

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP"), which differ from statutory accounting practices prescribed or permitted for insurance companies by regulatory authorities.

Business

The Company is engaged in the sale of property and casualty insurance products and has organized its principal operations into two types of insurance businesses: commercial lines and personal lines. The Company underwrites a variety of specialty insurance products, including property, general liability, commercial multi-peril, liquor liability, automobile, and homeowners and dwelling policies. The Company markets and sells its insurance products through a network of independent agents, including managing general agents, whereby policies are written in all 50 states in the United States ("U.S."). The Company's corporate headquarters are located in Birmingham, Michigan with additional office facilities in Florida, Texas, Pennsylvania and Tennessee.

The Company discontinued offering nonstandard personal automobile policies in the first half of 2015. The Company will continue to pay claims and perform other administrative services until existing policies expire and all claims are paid (a process referred to as "run-off"). The run-off was substantially complete at the end of 2016.

Initial Public Offering

In August 2015, the Company completed its initial public offering ("IPO") whereby it issued and sold 3,300,000 shares of common stock, which included 100,000 shares issued and sold to the Company's Chief Executive Officer, at a public offering price of \$10.50 per share. Refer to Note 10 ~ *Shareholders' Equity* for further details.

Summary of Significant Accounting Policies

Principles of Consolidation

Prior to September 30, 2015, the consolidated financial statements included the accounts of Conifer Holdings, Inc. and its wholly owned subsidiaries, as well as a 50% -owned affiliate (the "Affiliate") which the Company controlled due to its majority representation on the entity's board of directors. Consolidated net income or loss is allocated to the Company and noncontrolling interest in proportion to their percentage ownership interests. As of September 30, 2015, the Company no longer controlled the Affiliate but retained significant influence. As a result the entity was deconsolidated from the consolidated financial statements and recognized as an investment in an affiliate utilizing the equity method of accounting. All intercompany transactions and accounts were eliminated.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While management believes the amounts included in the consolidated financial statements reflect management's best estimates and assumptions, actual results may differ from these estimates.

Cash and Short-term Investments

Cash consists of cash deposits in banks, generally in operating accounts. Short-term investments, consisting of money-market funds, are classified as investments in the consolidated balance sheets as they relate principally to the Company's investment activities. The Company maintains its cash deposits in major banks and invests short-term funds in institutional money-market funds and short-term financial instruments. These securities typically mature within three months or less.

Investment Securities

Investment securities, consisting of fixed maturity securities and equity securities, are classified as available for sale and reported at fair value. The Company determines the fair value using the market approach, which uses quoted prices or other relevant data based on market transactions involving identical or comparable assets. The Company purchases the available-for-sale fixed maturity securities with the expectation that they will be held to maturity, but the Company may sell them if market conditions or credit-related risk warrant earlier sales. The Company does not have any securities classified as held to maturity or trading.

The change in unrealized gain and loss on the investment securities is recorded as a component of accumulated other comprehensive income (loss), net of the related deferred tax effect, until realized.

The fixed maturity securities portfolio includes mortgage-backed and asset-backed securities. The Company recognizes income from these securities using a constant effective yield based on anticipated prepayments and the estimated economic life of the securities. When actual prepayments differ significantly from anticipated prepayments, the estimated economic life is recalculated and the remaining unamortized premium or discount is amortized prospectively over the remaining economic life. Premiums and discounts on mortgage-backed and asset-backed securities are amortized or accreted over the life of the related available-for-sale security as an adjustment to yield using the effective interest method. Such amortization and accretion is included in interest income in the consolidated statements of operations. Dividend and interest income are recognized when earned.

Realized gains and losses from the sale of available-for-sale securities are determined on a specific-identification basis and included in earnings on the trade date.

Other-than-Temporary Impairments

The Company reviews its impaired securities for possible other-than-temporary impairment ("OTTI") at each quarter-end. A security has an impairment loss when its fair value is less than its cost or amortized cost at the balance sheet date. The Company considers the following factors in performing its review: (i) the amount by which the security's fair value is less than its cost, (ii) length of time the security has been impaired, (iii) whether management has the intent to sell the security, (iv) if it is more likely than not that management will be required to sell the security before recovery of its amortized cost basis, (v) whether the impairment is due to an issuer-specific event, credit issues or change in market interest rates, (vi) the security's credit rating and any recent downgrades or (vii) stress testing of expected cash flows under different scenarios. If the Company determines that a security has experienced an OTTI, the impairment is recognized as a realized investment loss in the consolidated statements of operations.

For each impaired security, the Company determines if: (i) it does not intend to sell the security and (ii) it will more likely than not be required to sell the security before recovery of its amortized cost basis. If the Company cannot assert these conditions, an OTTI loss is recorded through the consolidated statements of operations in the current period. For all other impaired securities, except equity securities, the Company will assess whether the net present value of the cash flows expected to be collected from the security is less than its amortized cost basis. Such a shortfall in cash flows is referred to as a "credit loss." For any such security, the Company separates the impairment loss into: (i) the credit loss and (ii) the non-credit loss, which is the amount related to all other factors such as interest rate changes, fluctuations in exchange rates and market conditions. The credit loss charge is recorded to the current period statements of operations and the non-credit loss is recorded to accumulated other comprehensive income (loss), within shareholders' equity, on an after-tax basis. A security's cost basis is permanently reduced by the amount of a credit loss. Income is accreted over the remaining life of a fixed maturity security based on the interest rate necessary to discount the expected future cash flows to the new basis. If the security is non-income producing, any cash proceeds is applied as a reduction of principal when received.

For equity securities, if the impairment is deemed an OTTI, the loss is recognized in the statements of operations.

Recognition of Premium Revenues

All of the property and casualty policies written by our insurance companies are considered short-duration contracts. These policies are earned on a daily pro-rata basis, net of reinsurance, over the term of the policy, which are six or twelve months in duration. The portion of premiums written that relate to the unexpired terms of policies in force are deferred and reported as unearned premium at the balance sheet date. Premiums on reinsured business are accounted for on a basis consistent with that used in accounting for the original policies issued and terms of the reinsurance contracts.

Reinsurance

Reinsurance premiums, commissions, losses and loss adjustment expenses ("LAE") on reinsured business are accounted for on a basis consistent with that used in accounting for the original policies issued and the terms of the reinsurance contracts. The amounts reported as reinsurance recoverables include amounts billed to reinsurers on losses and LAE paid as well as estimates of amounts expected to be recovered from reinsurers on insurance liabilities that have not yet been paid. Reinsurance recoverables on unpaid losses and LAE are estimated based upon assumptions consistent with those used in establishing those gross liabilities as they are applied to the underlying reinsured contracts. The Company records an allowance for uncollectible reinsurance

recoverables based on an assessment of the reinsurer's creditworthiness and collectability of the recorded amounts. Management believes an allowance for uncollectible recoverable from its reinsurers was not necessary for the periods presented.

The Company receives ceding commissions in connection with certain ceded reinsurance. The ceding commissions are recorded as a reduction of operating expenses.

Deferred Policy Acquisition Costs

Costs incurred which are incremental and directly related to the successful acquisition of new or renewal insurance business is deferred. These deferred costs consist of commissions paid to agents, premium taxes, and underwriting costs, including compensation and payroll related benefits. Proceeds from reinsurance transactions that represent recovery of acquisition costs reduce applicable unamortized acquisition costs in such a manner that net acquisition costs are capitalized and charged to expense. Amortization of such policy acquisition costs is charged to expense in proportion to premium earned over the estimated policy term.

To the extent that unearned premiums on existing policies are not adequate to cover the sum of expected losses and LAE, unamortized acquisition costs and policy maintenance costs, unamortized deferred policy acquisition costs are charged to expense to the extent required to eliminate the premium deficiency. If the premium deficiency is greater than the unamortized policy acquisition costs, a liability is recorded for any such deficiency. The Company considers anticipated investment income in determining whether a premium deficiency exists. Management performs this evaluation at each insurance product line level.

Unpaid Losses and Loss Adjustment Expenses

The liability for unpaid losses and LAE in the consolidated balance sheets represents the Company's estimate of the amount it expects to pay for the ultimate cost of all losses and LAE incurred that remain unpaid at the balance sheet date. The liability is recorded on an undiscounted basis, except for the liability for unpaid losses and LAE assumed related to acquired companies which are initially recorded at fair value. The process of estimating the liability for unpaid losses and LAE is a complex process that requires a high degree of judgment.

The liability for unpaid losses and LAE represent the accumulation of individual case estimates for reported losses and LAE, and actuarially determined estimates for incurred but not reported losses and LAE. The liability for unpaid losses and LAE is intended to include the ultimate net cost of all losses and LAE incurred but unpaid as of the balance sheet date. The liability is stated net of anticipated deductibles, salvage and subrogation, and gross of reinsurance ceded. The estimate of the unpaid losses and LAE liability is continually reviewed and updated. Although management believes the liability for losses and LAE is reasonable, the ultimate liability may be more or less than the current estimate.

The estimation of ultimate liability for unpaid losses and LAE is a complex, imprecise and inherently uncertain process, and therefore involves a considerable degree of judgment and expertise. The Company utilizes various actuarially-accepted reserving methodologies in deriving the continuum of expected outcomes and ultimately determining its estimated liability amount. These methodologies utilize various inputs, including but not limited to written and earned premiums, paid and reported losses and LAE, expected initial loss and LAE ratio, which is the ratio of incurred losses and LAE to earned premiums, and expected claim reporting and payout patterns (including company-specific and industry data). The liability for unpaid loss and LAE does not represent an exact measurement of liability, but is an estimate that is not directly or precisely quantifiable, particularly on a prospective basis, and is subject to a significant degree of variability over time. In addition, the establishment of the liability for unpaid losses and LAE makes no provision for the broadening of coverage by legislative action or judicial interpretation or for the extraordinary future emergence of new types of losses not sufficiently represented in the Company's historical experience or which cannot yet be quantified. As a result, an integral component of estimating the liability for unpaid losses and LAE is the use of informed subjective estimates and judgments about the ultimate exposure to unpaid losses and LAE. The effects of changes in the estimated liability are included in the results of operations in the period in which the estimates are revised.

The Company allocates the applicable portion of the unpaid losses and LAE to amounts recoverable from reinsurers under reinsurance contracts and reports those amounts separately as assets on the consolidated balance sheets.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Deferred tax assets are recognized to the extent that there is sufficient positive evidence, as allowed under the Accounting Standard Codification ("ASC") 740, *Income Taxes*, to support the recoverability of those deferred tax assets. The Company establishes a valuation allowance to the extent that there is insufficient evidence to support the recoverability of the deferred tax

asset under ASC 740. In making such a determination, management considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If it is determined that the deferred tax assets would be realizable in the future in excess of their net recorded amount, an adjustment would be made to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

As of December 31, 2016 and 2015, the Company did not have any unrecognized tax benefits and had no accrued interest or penalties related to uncertain tax positions.

Other Income

Other income consists primarily of fees charged to policyholders by the Company for services outside of the premium charge, such as installment billings or policy issuance costs. Commission income is also received by the Company's insurance agencies for writing policies for third party insurance companies. The Company recognizes commission income on the later of the effective date of the policy, the date when the premium can be reasonably established, or the date when substantially all services related to the insurance placement have been rendered.

Operating Expenses

Operating expenses consist primarily of other underwriting, compensation and benefits, information technology, facility and other administrative expenses.

Recently Issued Accounting Guidance

In May 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-09, *Disclosures about Short-Duration Contracts (Topic 944)*, which enhances disclosure requirements for insurance entities with short-duration insurance contracts. The Company adopted this new guidance as of December 31, 2016, as required, and included the required disclosures in Note 5 ~ *Unpaid Losses and Loss Adjustment Expenses*.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The amendments in this update modify the requirements related to the measurement of certain financial instruments in the statement of financial condition and results of operation. For equity investments (other than investments accounted for using the equity method), entities must measure such instruments at fair value with changes in fair value recognized in net income. Reporting entities may continue to elect to measure equity investments which do not have a readily determinable fair value at cost with adjustments for impairment and observable changes in price. In addition, for a liability (other than a derivative liability) that an entity measures at fair value, any change in fair value related to the instrument-specific credit risk, that is the entity's own-credit, should be presented separately in other comprehensive income and not as a component of net income. The amendments are effective for the Company on January 1, 2018, with early adoption permitted solely for the instrument-specific credit risk for liabilities measured at fair value. The amendments must be applied on a modified retrospective basis with a cumulative effect adjustment as of the beginning of the fiscal year of initial adoption. Management is currently evaluating the impact of the guidance.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which addresses the financial reporting of leasing transactions. This update will require 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 consolidated 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 consolidated statement of operations and the repayment of the principal portion of the lease liability will be classified as a financing activity while the interest component will be included in the operating section of the consolidated statement of cash flows. This ASU is effective for annual and interim reporting periods beginning after December 15, 2018. Early adoption is permitted. Management is currently evaluating the impact of the guidance.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)*, which amends the current methodology and timing for recognizing credit losses. This amendment will replace the current GAAP "incurred loss" methodology for credit losses with a methodology based on expected credit losses. The new guidance will also require expanded consideration of a broader range of reasonable and increased supportable information for the credit loss estimates. This ASU is effective for annual and interim reporting periods beginning after December 15, 2019. Early adoption is permitted for years beginning after December 15, 2018. Management is currently evaluating the impact of the guidance.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230)*, which clarifies how certain cash receipts and cash payments should be presented and classified in the statement of cash flow under *Topic 230, Statement of Cash Flows*. This update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. This ASU is effective for annual and interim reporting periods beginning after December 15, 2017. Early adoption is permitted. Management is currently evaluating the impact of the guidance.

2. Investments

The cost or amortized cost, gross unrealized gain or loss, and estimated fair value of the investments in securities classified as available for sale at December 31, 2016 and 2015 were as follows (dollars in thousands):

	December 31, 2016			
	Cost or Amortized Cost	Gross Unrealized		Estimated Fair Value
		Gains	Losses	
Fixed maturity securities:				
U.S. Government obligations	\$ 5,908	\$ 31	\$ (36)	\$ 5,903
State and local government	13,618	106	(205)	13,519
Corporate debt	34,105	205	(254)	34,056
Commercial mortgage and asset-backed	60,284	132	(731)	59,685
Total fixed maturity securities available for sale	113,915	474	(1,226)	113,163
Equity securities:				
Common stocks - Public Utilities	159	25	(1)	183
Common stocks - Banks, Trusts and Insurance Companies	681	85	(9)	757
Common stocks - Industrial, miscellaneous and all other	3,443	256	(60)	3,639
Total equity securities available for sale	4,283	366	(70)	4,579
Total securities available for sale	\$ 118,198	\$ 840	\$ (1,296)	\$ 117,742

	December 31, 2015			
	Cost or Amortized Cost	Gross Unrealized		Estimated Fair Value
		Gains	Losses	
Fixed maturity securities:				
U.S. Government obligations	\$ 5,474	\$ 47	\$ (13)	\$ 5,508
State and local government	14,391	398	(6)	14,783
Corporate debt	39,183	84	(483)	38,784
Commercial mortgage and asset-backed	48,165	164	(311)	48,018
Total fixed maturity securities available for sale	107,213	693	(813)	107,093
Equity securities:				
Common stocks - Public Utilities	122	20	(1)	141
Common stocks - Banks, Trusts and Insurance Companies	503	150	(7)	646
Common stocks - Industrial, miscellaneous and all other	2,716	836	(99)	3,453
Total equity securities available for sale	3,341	1,006	(107)	4,240
Total securities available for sale	\$ 110,554	\$ 1,699	\$ (920)	\$ 111,333

The following table summarizes the aggregate fair value and gross unrealized losses, by security type, of the available-for-sale securities in unrealized loss positions. The table segregates the holdings based on the length of time that individual securities have been in a continuous unrealized loss position, as follows (dollars in thousands):

December 31, 2016

	Less than 12 months			Greater than 12 months			Total		
	No. of Issues	Fair Value of Investments with Unrealized Losses	Gross Unrealized Losses	No. of Issues	Fair Value of Investments with Unrealized Losses	Gross Unrealized Losses	No. of Issues	Fair Value of Investments with Unrealized Losses	Gross Unrealized Losses
Fixed maturity securities:									
U.S. Government obligations	15	\$ 4,539	\$ (36)	—	\$ —	\$ —	15	\$ 4,539	\$ (36)
State and local government	29	8,217	(202)	1	104	(3)	30	8,321	(205)
Corporate debt	22	9,031	(239)	7	3,369	(15)	29	12,400	(254)
Commercial mortgage and asset-backed	59	38,048	(722)	5	802	(9)	64	38,850	(731)
Total fixed maturity securities available for sale	125	59,835	(1,199)	13	4,275	(27)	138	64,110	(1,226)
Equity securities:									
Common stock	76	2,472	(61)	2	66	(9)	78	2,538	(70)
Total equity securities available for sale	76	2,472	(61)	2	66	(9)	78	2,538	(70)
Total securities	201	\$ 62,307	\$ (1,260)	15	\$ 4,341	\$ (36)	216	\$ 66,648	\$ (1,296)

December 31, 2015

	Less than 12 months			Greater than 12 months			Total		
	No. of Issues	Fair Value of Investments with Unrealized Losses	Gross Unrealized Losses	No. of Issues	Fair Value of Investments with Unrealized Losses	Gross Unrealized Losses	No. of Issues	Fair Value of Investments with Unrealized Losses	Gross Unrealized Losses
Fixed maturity securities:									
U.S. Government obligations	7	\$ 2,580	\$ (7)	2	\$ 679	\$ (6)	9	\$ 3,259	\$ (13)
State and local government	8	2,688	(6)	—	—	—	8	2,688	(6)
Corporate debt	80	21,760	(438)	12	3,618	(45)	92	25,378	(483)
Commercial mortgage and asset-backed	67	32,539	(258)	5	2,175	(53)	72	34,714	(311)
Total fixed maturity securities available for sale	162	59,567	(709)	19	6,472	(104)	181	66,039	(813)
Equity securities:									
Common stock	86	782	(72)	3	79	(35)	89	861	(107)
Total equity securities available for sale	86	782	(72)	3	79	(35)	89	861	(107)
Total securities	248	\$ 60,349	\$ (781)	22	\$ 6,551	\$ (139)	270	\$ 66,900	\$ (920)

The Company analyzed its investment portfolio in accordance with its OTTI review procedures and determined the Company did not need to record a credit related OTTI loss, nor recognize a non-credit related OTTI loss in other comprehensive income for the years ended December 31, 2016 and 2015 .

The Company's sources of net investment income are as follows (dollars in thousands):

	December 31,		
	2016	2015	2014
Fixed maturity securities	\$ 2,370	\$ 2,110	\$ 1,289
Equity securities	98	92	78
Cash and short-term investments	21	5	9
Total investment income	2,489	2,207	1,376
Investment expenses	(316)	(305)	(201)
Net investment income	\$ 2,173	\$ 1,902	\$ 1,175

The following table summarizes the gross realized gains and losses from sales or maturities of available-for-sale fixed maturity and equity securities, as follows (dollars in thousands):

	December 31,		
	2016	2015	2014
Fixed maturity securities:			
Gross realized gains	\$ 587	\$ 92	\$ 47
Gross realized losses	(24)	(6)	(29)
Total fixed maturity securities	563	86	18
Equity securities:			
Gross realized gains	1,198	290	449
Gross realized losses	(396)	(91)	(50)
Total equity securities	802	199	399
Total net investment realized gains	\$ 1,365	\$ 285	\$ 417

Proceeds from the sales of debt and equity securities available for sale were \$38.3 million , \$9.2 million and \$1.3 million for the years ended December 31, 2016 , 2015 and 2014 , respectively.

The table below summarizes the amortized cost and fair value of available-for-sale fixed maturity securities by contractual maturity at December 31, 2016 . Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties (dollars in thousands):

	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 9,650	\$ 9,656
Due after one year through five years	24,693	24,721
Due after five years through ten years	10,986	10,945
Due after ten years	8,302	8,156
Securities with contractual maturities	53,631	53,478
Commercial mortgage and asset backed	60,284	59,685
Total fixed maturity securities	\$ 113,915	\$ 113,163

At December 31, 2016 and 2015 , the Insurance Companies Subsidiaries had an aggregate of \$9.6 million and \$8.9 million , respectively, on deposit in trust accounts to meet the deposit requirements of various state insurance departments. At December 31, 2016 and 2015 , the Company had \$10.3 million and \$169,000 held in trust accounts to meet collateral requirements with other third-party insurers, relating to various fronting arrangements. There are withdrawal and other restrictions on these deposits, including the type of investments that may be held, however, the Company may generally invest in high-grade bonds and short-term investments and earn interest on the funds.

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 these consolidated financial statements. Fair value is defined as the price that would be received for an asset or paid to transfer a liability in the principal most advantageous market for the asset or liability in an orderly transaction between market participants. In determining fair value, the Company applies the market approach, which uses prices and other relevant data based on market transactions involving identical or comparable assets and liabilities. The inputs to valuation techniques used to measure fair value are prioritized into a three-level hierarchy. The hierarchy gives the highest priority to quoted prices from sources independent of the reporting entity ("observable inputs") and the lowest priority to prices determined by the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances ("unobservable inputs"). The fair value hierarchy is as follows:

Level 1—Valuations that are based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2—Valuations that are based on observable inputs (other than Level 1 prices) such as quoted prices for similar assets or liabilities at the measurement date; quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3—Unobservable inputs that are supported by little or no market activity. The unobservable inputs represent the Company's best assumption of how market participants would price the assets or liabilities.

The following tables present the Company's assets and liabilities measured at fair value, classified by the valuation hierarchy as of December 31, 2016 and 2015 (dollars in thousands):

	December 31, 2016			
	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Fixed Maturity Securities:				
U.S. Government obligations	\$ 5,903	\$ —	\$ 5,903	\$ —
State and local government	13,519	—	13,519	—
Corporate debt	34,056	—	34,056	—
Commercial mortgage and asset-backed	59,685	—	59,685	—
Total fixed maturity securities	113,163	—	113,163	—
Equity Securities	4,579	4,469	110	—
Short-term investments	10,788	10,788	—	—
Total assets measured at fair value	\$ 128,530	\$ 15,257	\$ 113,273	\$ —
Liabilities:				
Senior debt*	\$ 17,750	\$ —	\$ 17,750	\$ —
Total Liabilities measured at fair value	\$ 17,750	\$ —	\$ 17,750	\$ —

* Carried at cost or amortized cost on the consolidated balance sheet

December 31, 2015

	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Fixed Maturity Securities:				
U.S. Government obligations	\$ 5,508	\$ —	\$ 5,508	\$ —
State and local government	14,783	—	14,783	—
Corporate debt	38,784	—	38,784	—
Commercial mortgage and asset-backed	48,018	—	48,018	—
Total fixed maturity securities	107,093	—	107,093	—
Equity Securities	4,240	4,240	—	—
Short-term investments	6,391	6,391	—	—
Total assets measured at fair value	\$ 117,724	\$ 10,631	\$ 107,093	\$ —
Liabilities:				
Senior debt*	\$ 12,750	\$ —	\$ 12,750	\$ —
Total Liabilities measured at fair value	\$ 12,750	\$ —	\$ 12,750	\$ —

* Carried at cost or amortized cost on the consolidated balance sheet

Level 1 investments consist of equity securities traded in an active exchange market. The Company uses unadjusted quoted prices for identical instruments to measure fair value. Level 1 also includes money market funds and other interest-bearing deposits at banks, which are reported as short-term investments. The fair value measurements that were based on Level 1 inputs comprise 11.9% of the fair value of the total investment portfolio as of December 31, 2016 .

Level 2 investments include fixed maturity securities, which consist of U.S. government agency securities, state and local municipal bonds (including those held as restricted securities), corporate debt securities, mortgage-backed and asset-backed securities. The fair value of securities included in the Level 2 category were based on the market values obtained from a third party pricing service that were evaluated using pricing models that vary by asset class and incorporate available trade, bid and other observable market information. The third party pricing service monitors market indicators, as well as industry and economic events. The fair value measurements that were based on Level 2 inputs comprise 88.1% of the fair value of the total investment portfolio as of December 31, 2016 .

The Company obtains pricing for each security from independent pricing services, investment managers or consultants to assist in determining fair value for its Level 2 investments. To validate that these quoted prices are reasonable estimates of fair value, the Company performs various quantitative and qualitative procedures, such as (i) evaluation of the underlying methodologies, (ii) analysis of recent sales activity, (iii) analytical review of our fair values against current market prices and (iv) comparison of the pricing services' fair value to other pricing services' fair value for the same investment. No markets for the investments were determined to be inactive at period-ends. Based on these procedures, the Company did not adjust the prices or quotes provided from independent pricing services, investment managers or consultants.

The Level 2 financial instruments also include the Company's senior debt. The fair value of borrowings under the senior debt, consisting of the revolving credit facility and term loans, approximates its carrying amount because interest is based on a short-term, variable, market-based rate.

The Company's policy on recognizing transfers between hierarchy levels is applied at the end of each reporting period. There were no transfers between Levels 1, 2 and 3 for the years ended December 31, 2016 and 2015 , respectively.

4. Deferred Policy Acquisition Costs

The Company defers costs incurred which are incremental and directly related to the successful acquisition of new or renewal insurance business, net of corresponding amounts of ceded reinsurance commissions. Net deferred policy acquisition costs are amortized and charged to expense in proportion to premium earned over the estimated policy term. The Company anticipates that its deferred policy acquisition costs will be fully recoverable and there were no premium deficiencies for the years December 31, 2016, 2015 and 2014. The activity in deferred policy acquisition costs, net of reinsurance transactions, is as follows (dollars in thousands):

	December 31,		
	2016	2015	2014
Balance at beginning of period	\$ 12,102	\$ 5,679	\$ 5,747
Deferred policy acquisition costs	26,468	22,606	14,628
Amortization of policy acquisition costs	(25,280)	(16,183)	(14,696)
Net change	1,188	6,423	(68)
Balance at end of period	<u>\$ 13,290</u>	<u>\$ 12,102</u>	<u>\$ 5,679</u>

5. Unpaid Losses and Loss Adjustment Expenses

The Company establishes reserves for unpaid losses and LAE which represent the estimated ultimate cost of all losses incurred that were both reported and unreported (i.e., incurred but not yet reported losses, or "IBNR") and LAE incurred that remain unpaid at the balance sheet date. The Company's reserving process takes into account known facts and interpretations of circumstances and factors including the Company's experience with similar cases, actual claims paid, historical trends involving claim payment patterns and pending levels of unpaid claims, loss management programs, product mix and contractual terms, changes in law and regulation, judicial decisions, and economic conditions. In the normal course of business, the Company may also supplement its claims processes by utilizing third party adjusters, appraisers, engineers, inspectors, and other professionals and information sources to assess and settle catastrophe and non-catastrophe related claims. The effects of inflation are implicitly considered in the reserving process.

Reserves are estimates of unpaid portions of losses that have occurred, including IBNR losses, therefore the establishment of appropriate reserves, is an inherently uncertain and complex process. The ultimate cost of losses may vary materially from recorded amounts, which are based on management's best estimates. The highest degree of uncertainty is associated with reserves for losses incurred in the current reporting period as it contains the greatest proportion of losses that have not been reported or settled. The Company regularly updates its reserve estimates as new information becomes available and as events unfold that may affect the resolution of unsettled claims. Changes in prior year reserve estimates, which may be material, are reported in the results of operations in the period such changes are determined to be needed and recorded.

Management believes that the reserve for losses and LAE, net of reinsurance recoverables, is appropriately established in the aggregate and adequate to cover the ultimate net cost of reported and unreported claims arising from losses which had occurred by the date of the consolidated financial statements based on available facts and in accordance with applicable laws and regulations.

The table below provides the changes in the reserves for losses and LAE, net of recoverables from reinsurers, for the periods indicated as follows (dollars in thousands):

	December 31,		
	2016	2015	2014
Gross reserves - beginning of period	\$ 35,422	\$ 31,531	\$ 28,908
Less: reinsurance recoverables on unpaid losses	5,405	3,224	3,953
Net reserves - beginning of period	30,017	28,307	24,955
Add: incurred losses and loss adjustment expenses, net of reinsurance			
Current period	48,782	37,422	41,923
Prior period	10,221	1,460	(1,193)
Total net incurred losses and loss adjustment expenses	59,003	38,882	40,730
Deduct: loss and loss adjustment expense payments, net of reinsurance			
Current period	20,828	20,635	24,134
Prior period	20,199	16,537	13,244
Total net loss and loss adjustment expense payments	41,027	37,172	37,378
Net reserves - end of period	47,993	30,017	28,307
Plus: reinsurance recoverables on unpaid losses	6,658	5,405	3,224
Gross reserves - end of period	\$ 54,651	\$ 35,422	\$ 31,531

As a result of development on prior accident years' reserves, the estimate for net ultimate losses and LAE increased by \$10.2 million in 2016, increased by \$1.5 million in 2015 and decreased by \$1.2 million in 2014. There were no significant changes in the key methods utilized in the analysis and calculations of the Company's reserves during 2016, 2015 or 2014.

In 2016, prior year net ultimate loss and LAE estimates increased \$10.2 million. The \$10.2 million increase reflects adverse development of \$4.1 million in the commercial lines liability products, \$2.7 million in the commercial automobile line, \$2.7 million in the wind-exposed homeowners' line and \$0.8 million in the run-off personal automobile line.

In 2015, prior year net ultimate loss and LAE estimates increased \$1.5 million. The \$1.5 million increase reflects adverse development of \$1.2 million in the run-off personal automobile line, \$835,000 in the commercial automobile line and \$121,000 in the wind-exposed homeowners' line. These were partially offset by favorable development in all of the other lines totaling \$660,000.

In 2014, net ultimate loss and LAE estimates decreased by \$1.2 million. The \$1.2 million decrease primarily reflects favorable reserve development of \$702,000 in the commercial multi-peril line, \$550,000 in the personal automobile line, and \$509,000 in the other liability line. These were partially offset by adverse development of \$548,000 in the low-value dwelling line, as well as other small changes in the remaining lines.

Loss Development Tables

The following tables represent cumulative paid loss and allocated loss adjustment expenses ("ALAE"), net of reinsurance, by accident year and incurred loss and allocated loss adjustment expenses, net of reinsurance, by accident year, for the years ended December 31, 2009 to 2016, as well as total IBNR and the cumulative number of reported claims for the year ended December 31, 2016, by reportable segment and accident year, (dollars in thousands).

Commercial Lines										
Incurred loss and allocated loss adjustment expenses, net of reinsurance									Total IBNR	Cumulative number of reported claims
Accident Year	For the years ended December 31,									
2009*	2010*	2011*	2012*	2013*	2014*	2015*	2016	2016	2016	
2009	11,400	12,066	10,312	8,943	8,232	8,403	8,359	8,414	13	877
2010		7,346	8,568	7,255	6,357	6,170	6,074	6,207	10	770
2011			6,753	5,758	5,326	5,049	4,932	4,903	27	590
2012				7,745	6,421	6,288	6,384	6,253	76	560
2013					10,018	9,435	9,893	10,237	334	596
2014						19,709	19,907	22,711	749	1,726
2015							22,442	26,633	2,810	2,269
2016								32,396	13,002	3,101
							Total	117,754		

Cumulative paid loss and allocated loss adjustment expenses, net of reinsurance									
Accident Year	For the years ended December 31,								
2009*	2010*	2011*	2012*	2013*	2014*	2015*	2016	2016	
2009	4,436	5,942	6,410	7,233	7,800	7,867	7,933	8,321	
2010		3,066	4,488	5,219	5,910	6,040	6,065	6,166	
2011			2,645	3,534	3,964	4,449	4,641	4,744	
2012				2,325	3,703	4,696	5,558	5,994	
2013					3,979	6,211	7,643	8,622	
2014						8,715	13,977	17,458	
2015							10,470	17,817	
2016								10,255	
							Total	79,377	
								Unpaid losses and ALAE - years 2009 through 2016	38,377
								Unpaid losses and ALAE - prior to 2009 (1)*	241
								Unpaid losses and ALAE, net of reinsurance	<u>38,618</u>

* Presented as unaudited required supplementary information.

(1) The Company's formation was in 2009, however, as a result of the acquisition of WPIC in 2010, incurred losses prior to the 2009 accident year remain outstanding.

Personal Lines

Incurred loss and allocated loss adjustment expenses, net of reinsurance									Total IBNR	Cumulative number of reported claims
Accident Year	For the years ended December 31,								2016	2016
	2009*	2010*	2011*	2012*	2013*	2014*	2015*	2016		
2009	667	639	634	634	634	634	634	634	—	65
2010		320	188	184	184	184	184	184	—	77
2011			1,678	1,758	1,981	2,031	2,030	2,043	11	717
2012				9,960	11,690	11,740	12,159	12,390	85	3,300
2013					18,034	17,996	18,925	19,138	205	5,095
2014						17,951	17,471	17,735	221	3,619
2015							10,877	13,445	221	2,104
2016								11,619	1,113	1,679
							Total	77,188		

Cumulative paid loss and allocated loss adjustment expenses, net of reinsurance								
Accident Year	For the years ended December 31,							
	2009*	2010*	2011*	2012*	2013*	2014*	2015*	2016
2009	537	634	634	634	634	634	634	634
2010		151	174	184	184	184	184	184
2011			787	1,292	1,633	1,859	1,983	2,021
2012				5,665	9,251	10,844	11,777	12,202
2013					9,955	15,883	18,052	18,600
2014						12,819	16,515	17,260
2015							7,771	11,873
2016								7,119
							Total	69,893
							Unpaid losses and ALAE, net of reinsurance	7,295

* Presented as unaudited required supplementary information.

Total Lines

Incurred loss and allocated loss adjustment expenses, net of reinsurance									Total IBNR	Cumulative number of reported claims
Accident Year	For the years ended December 31,									
	2009*	2010*	2011*	2012*	2013*	2014*	2015*	2016	2016	2016
2009	12,067	12,705	10,946	9,577	8,866	9,037	8,993	9,048	13	942
2010		7,666	8,756	7,439	6,541	6,354	6,258	6,391	10	847
2011			8,431	7,516	7,307	7,080	6,962	6,946	38	1,307
2012				17,705	18,111	18,028	18,543	18,643	161	3,860
2013					28,052	27,431	28,818	29,375	539	5,691
2014						37,660	37,378	40,446	970	5,345
2015							33,319	40,078	3,031	4,373
2016								44,015	14,115	4,780
							Total	194,942		

Cumulative paid loss and allocated loss adjustment expenses, net of reinsurance								
Accident Year	For the years ended December 31,							
	2009*	2010*	2011*	2012*	2013*	2014*	2015*	2016
2009	4,973	6,576	7,044	7,867	8,434	8,501	8,567	8,955
2010		3,217	4,662	5,403	6,094	6,224	6,249	6,350
2011			3,432	4,826	5,597	6,308	6,624	6,765
2012				7,990	12,954	15,540	17,335	18,196
2013					13,934	22,094	25,695	27,222
2014						21,534	30,492	34,718
2015							18,241	29,690
2016								17,374
							Total	149,270
							Unpaid losses and ALAE - years 2009 through 2016	45,672
							Unpaid losses and ALAE - prior to 2009*	241
							Unpaid losses and ALAE, net of reinsurance	45,913

* Presented as unaudited required supplementary information.

The following table reconciles the claim development information to the Consolidated Balance Sheet for the year ended December 31, 2016, by reportable segment (dollars in thousands).

	December 31, 2016
Net outstanding liabilities for unpaid claims and ALAE	
Commercial Lines	38,618
Personal Lines	7,295
Liabilities for unpaid claims and ALAE, net or reinsurance	45,913
Reinsurance recoverable on unpaid claims	
Commercial Lines	6,482
Personal Lines	176
Total reinsurance recoverable on unpaid claims	6,658
ULAE Expense	2,080
Total gross liability for unpaid claims and LAE	54,651

Loss Duration Disclosure (unaudited)

The following table represents the average annual percentage payout of incurred losses by age, net of reinsurance, for each reportable segment.

	Average annual percentage payout of incurred losses by age, net of reinsurance									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10+
Commercial Lines	37.1%	24.2%	18.3%	9.8%	5.2%	2.6%	1.6%	0.9%	0.1%	0.2%
Personal Lines	65.5%	15.5%	13.8%	5.1%	0.1%	—%	—%	—%	—%	—%
Total Lines	40.8%	23.0%	17.7%	9.2%	4.5%	2.3%	1.4%	0.8%	0.1%	0.2%

6. Reinsurance

In the normal course of business, the Company participates in reinsurance agreements in order to limit losses that may arise from catastrophes or other individually severe events. The Company primarily ceded all specific risks in excess of \$500,000 in 2016, \$500,000 in 2015 and \$300,000 in 2014. Reinsurance does not discharge the Company, as the direct insurer, from liability to its policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company. The Company evaluates the financial condition of its reinsurers and monitors the concentration of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. To date, the Company has not experienced any significant difficulties in collecting reinsurance recoverables. The Company's current reinsurance structure includes the following primary categories:

Casualty Clash

- The Company is party to a workers' compensation and casualty clash reinsurance treaty with limits up to \$18.0 million in excess of a \$2.0 million retention. Clash coverage is a type of reinsurance that provides additional coverage in the event that one casualty loss event results in two or more claims and recovery under the reinsurance treaties may otherwise be limited due to the amount, type or number of claims. Clash reinsurance further protects the balance sheet as it reduces the potential maximum loss on either a single risk or a large number of risks.

Facultative

- The Company has a facultative agreement with a large reinsurer for property risks with total insured values above the other reinsurance treaty limits. "Facultative" reinsurance is where a reinsurer negotiates an individual reinsurance agreement for every policy it will reinsure on a policy by policy basis.

Property

- Effective November 1, 2014, the Company entered into an excess of loss reinsurance agreement for personal property coverage with limits up to \$2.7 million in excess of \$300,000, for homeowners' and dwelling fire business. This agreement remained in effect through 2016.
- Effective July 1, 2015, the Company entered into an excess of loss treaty for commercial property values from \$2.0 million to \$4.0 million, to replace much of the facultative reinsurance cover. The treaty remained in force throughout 2016. A "treaty" is a reinsurance agreement in which coverage is provided for a class of risks and does not require policy by policy underwriting of the reinsurer.
- At December 31, 2016, the Company is covered for property catastrophe losses up to \$160.0 million in excess of a \$5.0 million retention for the first event. The Company also has second and third event property catastrophe coverage with a \$1.0 million retention. The treaty renews June 1, 2017.

Multiple Line

- Effective January 1, 2015, the Company has an excess of loss multi-line agreement that covers commercial property and casualty losses up to \$1.5 million in excess of a \$500,000 retention. The retention was \$300,000 in 2014.

Quota Share

- The Company has commercial umbrella treaties for commercial lines business in the form of a 90% quota share. A quota share agreement is an agreement between an insurer and a reinsurer whereby the reinsurer pays an agreed-upon percentage of all losses the insurer sustains. In turn, the insurer compensates the reinsurer for this agreement in the form of a percentage of the premiums written for the applicable lines covered and reinsurance period.
- Effective December 31, 2014, the Company entered into a 25% quota share arrangement with a reinsurer for coverage net of the other reinsurance arrangements and within the Company's retention of \$500,000 for commercial lines and \$300,000 for personal homeowners lines. The Company terminated the agreement on August 1, 2015. The purpose of the quota share arrangement was to reduce the capital requirements necessary to support premium growth initiatives. The IPO provided sufficient capital to support growth initiatives, and the quota share was no longer deemed necessary.

Equipment Breakdown, Employment Practice Liability, and Data Compromise and Identity Recovery

- The Company has a 100% quota share arrangement with another reinsurer for the small number of equipment breakdown, employment practices liability and data compromise coverages that are occasionally bundled with other products.

The Company assumes written premiums under a few fronting arrangements, most of which are net of other reinsurance arrangements. The fronting arrangements are with unaffiliated insurers who write on behalf of the Company in markets that require a higher A.M. Best rating than the Company's rating, or where the policies are written in a state where the Company is

not licensed or for other strategic reasons. Assumed premiums is comprised entirely of these arrangements other than where there are premiums assumed from Citizens Property and Casualty Corporation ("Citizens").

Beginning in December 2014, the Company assumed written premium of \$5.5 million under a policy assumption agreement with Citizens. Citizens is a Florida government-sponsored insurer that provides homeowners insurance to Florida residences that cannot find coverage in the voluntary market. Upon assuming this premium, the Company becomes the primary insurer to the policyholders. The Company is responsible for claims occurring on or after the effective date of the assumption.

In the first quarter of 2015, the Company assumed additional written premium from Citizens in the amount of \$1.4 million. This assumption was offset during the year ended December 31, 2015 by a return of \$1.3 million of assumed premiums from the 2014 assumption and \$738,000 of assumed premiums from the 2015 assumption. The return premiums are related to the policyholders opting out of the related assumptions. The Company did not assume any Citizens business in 2016.

The Company assumed \$19.7 million, \$2.5 million, and \$0.1 million of written premiums under the insurance fronting arrangements for the years ended ended December 31, 2016, 2015, and 2014, respectively.

The following table presents the effects of such reinsurance and assumption transactions on written premiums, earned premiums and losses and LAE (dollars in thousands):

	Year Ended December 31,		
	2016	2015	2014
Written premiums:			
Direct	\$ 89,915	\$ 90,503	\$ 78,296
Assumed	25,008	3,247	5,551
Ceded	(14,994)	(14,076)	(17,548)
Net written premiums	\$ 99,929	\$ 79,674	\$ 66,299
Earned premiums:			
Direct	\$ 90,660	\$ 82,614	\$ 66,608
Assumed	14,053	6,602	361
Ceded	(15,086)	(22,451)	(9,441)
Net earned premiums	\$ 89,627	\$ 66,765	\$ 57,528
Loss and loss adjustment expenses:			
Direct	\$ 59,940	\$ 43,989	\$ 43,894
Assumed	11,955	2,756	107
Ceded	(12,892)	(7,863)	(3,271)
Net Loss and loss adjustment expenses	\$ 59,003	\$ 38,882	\$ 40,730

7. Senior Debt

The Company's senior debt facility is comprised of three notes: a \$17.5 million revolving line of credit ("Revolver") which commenced in October 2013; a \$5.0 million five -year term note ("Term Note") which commenced in October 2013; and a \$7.5 million five -year term note which commenced in September 2014 ("2014 Term Note"). A summary of the outstanding senior debt at December 31, 2016 is as follows (in thousands):

	December 31,	
	2016	2015
Revolver	\$ 10,500	\$ 3,500
Term Note	1,750	2,750
2014 Term Note	5,500	6,500
Total	17,750	12,750

The obligations under the Amended Credit Agreement bear interest at LIBOR rate plus 3.25% , or the lender's prime rate plus 1.5% , except for the 2014 Term Note. Interest on the 2014 Term Note is at LIBOR plus 3.75% or the lender's prime rate plus 2% . The weighted average interest rate was 4.1% and 3.4% for the years ended December 31, 2016 and 2015 , respectively. The Company is required to pay quarterly commitment fees on the unused portion of the Credit Facility equal to 0.2% per annum.

The aggregate maturities under the Amended Credit Agreement for each of the five years subsequent to December 31, 2016 are as follows: \$2.5 million in 2017, \$13.3 million in 2018, \$2.0 million in 2019 , \$0.0 million in 2020, and \$0.0 million in 2021.

The Company entered into various amendments during 2016, which, among other things, included the following key changes to the credit facility agreement:

- At December 31, 2015, the Company was in compliance with all of its Credit Facility covenants except for the fixed-charge coverage ratio which fell below 1.20 -to-1.0, to 0.9 -to-1.0. The Company received a waiver as of January 26, 2016 for this covenant breach as of December 31, 2015.
- Effective November 30, 2016, the Company renewed its \$17.5 million Revolver. The maturity was extended from December 1, 2016 to August 1, 2018. The Company also amended the credit facility which modified several debt covenants and increased the interest rate spreads on the three notes by 50 basis points .

All outstanding borrowings under the Revolver were repaid from the proceeds received from the Company's IPO, in August 2015; another \$3.5 million was then drawn down in the fourth quarter of 2015 and \$7.0 million was drawn down during 2016. The undrawn portion of the Revolver, which was \$7.0 million as of December 31, 2016 , is available to finance working capital, fund other general corporate purposes and to provide surplus contributions to our Insurance Company Subsidiaries to support premium growth or strategic acquisitions.

The Credit Facility contains various restrictive covenants that relate to the Company's shareholders' equity, premiums-to-capital and surplus ratios, fixed-charge coverage ratio, risk-based capital ratios, and A.M. Best ratings of its Insurance Company Subsidiaries. At December 31, 2016, the Company was in compliance with all of its financial covenants except for a minimum tangible net worth (as defined by the agreement) requirement to remain above \$65.0 million . The Company's tangible net worth was \$64.1 million at December 31, 2016. The Company received a waiver on March 13, 2017 for this covenant breach as of December 31, 2016, and the agreement was amended to reduce the minimum requirement to \$62.0 million from March 31, 2017 to December 30, 2017 and \$64.0 million from December 31, 2017 and thereafter, which management expects the Company will exceed in future periods.

Interest Rate Swap Agreement

In order to reduce its interest rate risk, the Company entered into an interest rate swap agreement for a notional amount of \$5.0 million in September 2014, at the same time it refinanced the five year Term Note, and the notional amount decreases in proportion with the amortization of the Term Note. Under this swap agreement, the Company pays the fixed rate of 1.04% on the \$5.0 million notional amount on a quarterly basis, and receives the LIBOR rate on a quarterly basis. Payments are settled on a net basis, and the Company has effectively converted its variable-rate debt into fixed-rate debt with an effective interest rate of 3.79% . Payments made or received on the swap are recorded as interest expense. The changes in fair value of the interest rate swap are recorded as other income or expense. At December 31, 2016 and 2015, the fair value of the interest rate swap of \$1,200 and \$4,000 , respectively (notional amounts of \$1.8 million and \$2.8 million , respectively), was recorded in other assets in the consolidated balance sheets.

8. Income Taxes

At December 31, 2016 and 2015, the Company had current income taxes receivable of \$110,000 and \$106,000, respectively, included in other assets in the consolidated balance sheets.

The income tax expense (benefit) is comprised of the following (dollars in thousands):

	Year Ended December 31,		
	2016	2015	2014
Current tax expense (benefit)	\$ 70	\$ 48	\$ 3
Deferred tax expense (benefit)	(147)	—	(284)
Total income tax expense (benefit)	\$ (77)	\$ 48	\$ (281)

The income tax expense (benefit) differed from the amounts computed by applying the statutory U.S. federal income tax rate of 34% to pretax income as a result of the following (dollars in thousands):

	Year Ended December 31,		
	2016	2015	2014
Income (loss) before income taxes	\$ (8,643)	\$ 83	\$ (7,220)
Deconsolidation of affiliate	—	55	—
Statutory U.S. federal income tax rate	(2,939)	28	(2,455)
State income taxes, net of federal benefit	(3)	(72)	(246)
Tax-exempt investment income and dividend received deduction	(106)	(116)	(66)
Nondeductible acquisition costs and purchase adjustments	—	—	143
Nondeductible meals and entertainment	61	45	30
Valuation allowance on deferred tax assets	2,808	(2,050)	2,283
Net operating loss write-off	—	2,150	—
Other	102	8	30
Income tax expense (benefit)	\$ (77)	\$ 48	\$ (281)
Effective tax rate	0.9%	57.8%	3.9%

For the year ended December 31, 2015, the Company reconsidered how it presents deferred tax assets and the associated valuation allowance which are subject to permanent limitation and which will expire unused. As such, the 2015 valuation allowance and gross net operating loss deferred tax asset were reduced by \$2.2 million to remove the deferred tax assets that would not be realized from consideration. No such write-off occurred in 2016.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below (dollars in thousands):

	December 31,	
	2016	2015
Deferred tax assets:		
Discounted unpaid losses and loss adjustment expenses	\$ 715	\$ 465
Unearned premiums	4,085	3,385
Net operating loss carryforwards	7,757	5,932
State net operating loss carryforwards	223	209
Other	203	(152)
Gross deferred tax assets	12,983	9,839
Less valuation allowance	(8,389)	(5,160)
Total deferred tax assets, net of allowance	4,594	4,679
Deferred tax liabilities:		
Investment basis difference	45	49
Unrealized gains on investments	(156)	266
Deferred policy acquisition costs	4,519	4,115
Intangible assets	163	307
Property and equipment	202	267
Total deferred tax liabilities	4,773	5,004
Net deferred tax liability	\$ (179)	\$ (325)

The net deferred tax liability is recorded in other liabilities in the consolidated balance sheets.

As of December 31, 2016, the Company has net operating loss carryforwards for federal income tax purposes of \$22.8 million, which expire in tax years 2019 through 2036. Of this amount, \$15.1 million are limited in the amount that can be utilized in any one year and may expire before they are realized under Section 382 of the Internal Revenue Code. The Company has state net operating loss carryforwards of \$8.7 million, which expire in tax years 2030 through 2036.

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit the use of the existing deferred tax assets under the guidance of ASC 740. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended December 31, 2016. Such objective evidence limits the Company's ability to consider other subjective evidence, such as management's projections for future growth.

Based on its evaluation, the Company has recorded a valuation allowance of \$8.4 million and \$5.2 million at December 31, 2016 and 2015, respectively, to reduce the deferred tax assets to an amount that is more likely than not to be realized based on the provisions in ASC 740. The amount of the deferred tax assets considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or if objective negative evidence in the form of cumulative losses is no longer present, and additional weight may be given to subjective evidence, such as the Company's projections for growth.

The Company files consolidated federal income tax returns. For the years before 2013, the Company is no longer subject to U.S. federal examinations; however, the Internal Revenue Service has the ability to review years prior to 2013 to the extent the Company utilized tax attributes carried forward from those prior years. The statute of limitations on state filings is generally three to four years.

9. Statutory Financial Data, Risk-Based Capital and Dividend Restrictions

U.S. state insurance laws and regulations prescribe accounting practices for determining statutory net income and capital and surplus for insurance companies. In addition, state regulators may permit statutory accounting practices that differ from prescribed practices. Statutory accounting practices prescribed or permitted by regulatory authorities for the Company's Insurance Company Subsidiaries differ from GAAP. The principal differences between SAP and GAAP as they relate to the financial statements of the Company's Insurance Company Subsidiaries are (i) policy acquisition costs are expensed as incurred under SAP, whereas they are deferred and amortized under GAAP, (ii) deferred tax assets are subject to more limitations regarding what amounts can be recorded under SAP and (iii) bonds are recorded at amortized cost under SAP and fair value under GAAP.

Risk-Based Capital ("RBC") requirements as promulgated by the National Association of Insurance Commissioners ("NAIC") require property and casualty insurers to maintain minimum capitalization levels determined based on formulas incorporating various business risks (e.g., investment risk, underwriting profitability, etc.) of the Insurance Company Subsidiaries. As of December 31, 2016, 2015 and 2014, the Insurance Company Subsidiaries' adjusted capital and surplus exceeded their authorized control level as determined by the NAIC's risk-based capital models.

Summarized 2016, 2015 and 2014 statutory basis information for the non-captive Insurance Company Subsidiaries, which differs from generally accepted accounting principles, is as follows (dollars in thousands). On December 30, 2016, the Company's wholly owned subsidiary, ACIC was merged into WPIC. As a result, 2016 statutory data is shown for the remaining two Insurance Company Subsidiaries, while prior year data is shown for the prior three Insurance Company Subsidiaries, (dollars in thousands).

	Conifer		White Pine	
2016:				
Statutory capital and surplus	\$	29,539	\$	32,391
RBC authorized control level		6,676		6,583
Statutory net income (loss)		(2,782)		(1,209)
RBC %		442.4%		492.1%

	Conifer		American Colonial	White Pine
2015:				
Statutory capital and surplus	\$	30,637	\$	22,523
RBC authorized control level		5,390		2,809
Statutory net income (loss)		387		(2,278)
RBC %		568.5%		801.8%

	Conifer		American Colonial	White Pine
2014:				
Statutory capital and surplus	\$	28,304	\$	24,461
RBC authorized control level		5,008		1,460
Statutory net income (loss)		(2,777)		(1,670)
RBC %		565.1%		1,675.7%

Dividend Restrictions

The state insurance statutes in which the Insurance Company Subsidiaries are domiciled limit the amount of dividends that they may pay annually without first obtaining regulatory approval. Generally, the limitations are based on the greater of statutory net income for the preceding year or 10% of statutory surplus at the end of the preceding year. The Company must receive regulatory approval in order to pay dividends to the Parent Company from its Insurance Company Subsidiaries in 2017.

10. Shareholders' Equity

Common Stock

On February 25, 2016, the Company's Board of Directors authorized a stock repurchase program, under which the Company may repurchase up to \$2.1 million of its outstanding common stock. Under this program, management is authorized to repurchase shares at prevailing market prices through open market purchases, privately negotiated transactions, block purchases or otherwise in accordance with applicable federal securities laws, including Rule 10b5-1 and 10b-18 of the Securities Exchange Act of 1934, as amended. The actual timing, number and value of shares repurchased under the program is determined by management at its discretion and depended on a number of factors, including the market price of the Company's stock, general market conditions, and other factors. As of December 31, 2016, the Company had repurchased and retired 88,650 shares of stock valued at approximately \$625,000 .

As of December 31, 2016 and 2015 , the Company had 7,633,070 and 7,644,492 issued and outstanding shares of common stock, respectively.

Holders of common stock are entitled to one vote per share and to receive dividends only when and if declared by the board of directors. The holders have no preemptive, conversion or subscription rights.

Preferred Stock

In 2014, the Company issued 66,000 shares of preferred stock at \$10.00 per share to certain third-party investors. On October 1, 2014, the then-outstanding shares of preferred stock were exchanged for shares of redeemable preferred stock. Refer to *Note 11 ~ Redeemable Preferred Stock* for further details.

11. Redeemable Preferred Stock

At December 31, 2014, the Company had 60,600 shares of redeemable preferred stock outstanding. The shares of redeemable preferred stock were initially recorded at fair value and thereafter increased by accrued paid-in-kind dividends. The Company classified the shares of redeemable preferred stock within temporary equity on its consolidated balance sheet at December 31, 2014, due to its liquidation rights.

On March 25, 2015, the Company amended its articles of incorporation with the consent of more than 80% of the holders of the preferred stock and a majority of the holders of the common stock to restrict the liquidation rights to the liquidation, dissolution or winding up of the Company. It was previously more broadly defined. On the effective date of the modification, the Company reclassified the carrying amount of its redeemable preferred stock from temporary equity to permanent equity.

Pursuant to agreements effective on or before July 1, 2015, the holders of preferred stock agreed to allow the Company to repurchase their outstanding preferred shares at the original purchase price (i.e., \$100 per share) plus all accrued and unpaid preferred dividends. In addition, the holders of 29,550 shares (or 49%) of preferred stock agreed to use such cash received from the Company's repurchase of their preferred stock to purchase shares of common stock at the same per share price as the common stock offered in the Company's IPO. The closing of these transactions were conditioned on the completion of the Company's IPO.

Following the closing of the Company's IPO on August 18, 2015, the Company paid \$6.3 million to holders of shares of preferred stock to repurchase such shares and for the payment of accrued dividends. Additionally, the Company issued 294,450 shares of common stock to former holders of the preferred stock for proceeds of \$3.1 million . There are no shares of redeemable preferred stock outstanding after the closing of the IPO.

12. Accumulated Other Comprehensive Income (Loss)

The following table presents changes in accumulated other comprehensive income (loss) for unrealized gains and losses on available-for-sale securities (in thousands):

	Year Ended December 31,	
	2016	2015
Balance at beginning of period	\$ 182	\$ 1,158
Other comprehensive income (loss) before reclassifications	(2,139)	(274)
Less: amounts reclassified from accumulated other comprehensive income (loss)	(877)	702
Net current period other comprehensive income (loss)	(1,262)	(976)
Balance at end of period	\$ (1,080)	\$ 182

13. Earnings Per Share

Basic and diluted earnings (loss) per share are computed by dividing net income allocable to common shareholders by the weighted average number of common shares outstanding during the period. The dividends on preferred stock are deducted from the net income to arrive at net income allocable to common shareholders. In the period of a net loss, the dividends on preferred stock are added to the net loss to arrive at net loss allocable to common shareholders. The following table presents the calculation of basic and diluted earnings (loss) per common share, as follows (in thousands, except share and per share amounts):

	Year Ended December 31,		
	2016	2015	2014
Net income (loss) attributable to Conifer	\$ (8,437)	\$ 64	\$ (6,935)
Preferred stock dividends	—	384	191
Paid-in-kind dividends	—	156	59
Deemed dividend on preferred stock	\$ —	\$ —	\$ 15
Net income (loss) allocable to common shareholders	\$ (8,437)	\$ (476)	\$ (7,200)
Weighted average common shares, basic and diluted*	7,618,588	5,369,960	2,672,440
Earnings (loss) per share allocable to common, basic and diluted	\$ (1.11)	\$ (0.09)	\$ (2.69)

* The non-vested shares of the restricted stock units were anti-dilutive as of December 31, 2016 and December 31, 2015. Therefore, the basic and diluted weighted average common shares are equal as of December 31, 2016 and December 31, 2015.

14. Stock-based Compensation

In 2015, the Company established the *Conifer Holdings, Inc. 2015 Omnibus Incentive Plan* ("2015 Plan"), which permits the granting of stock options, stock appreciation rights, restricted stock units ("RSU") and other stock-based awards. The 2015 Plan authorizes up to 1,377,000 shares of common stock for awards to be issued to employees, directors or consultants of the Company. The RSUs are issued at no less than the market price on the date the awards are granted. The awards vest in five annual installments, commencing on the first anniversary from the date of grant. The Company will expense the grant date fair value of the RSUs as compensation expense on a straight-line basis over the requisite service period. Upon vesting, each RSU will convert into one share of common stock. The unvested RSUs are subject to forfeiture in the event the employee is involuntarily or voluntarily terminated. If the employee is terminated by the Company for cause, the Company has the option to forfeit the terminated employees' vested shares for no consideration and to cause the employee to have no further rights or interest in the vested RSUs.

The following summarizes our RSU activity (units in thousands):

	Number of Units	Weighted Average Grant-Date Fair Value
Outstanding at August 12, 2015 (IPO)	—	\$ —
Units granted	390	10.48
Units vested	—	—
Units forfeited	—	—
Outstanding at December 31, 2015	390	\$ 10.48
Units granted	111	8.17
Units vested	(77)	10.48
Units forfeited	(8)	9.95
Outstanding at December 31, 2016	416	\$ 9.87

The scheduled vesting for the restricted stock units at December 31, 2016 was as follows (in thousands):

	Year Ended December 31,					Total
	2017	2018	2019	2020	2021	
Scheduled vesting - RSUs	99	99	99	99	20	416

In 2015, the Company issued 390,352 RSUs to executive officers and other employees to be settled in shares of common stock. The total RSUs were valued at \$4.1 million on the date of grant. In 2016, the Company issued 111,281 RSUs to executive officers and other employees valued at \$909,000 on the date of grant.

The Company recorded \$856,000 and \$303,000 of compensation expense related to the RSUs for the year ended December 31, 2016 and 2015, respectively. The total compensation cost related to the non-vested portion of the restricted stock units which has not been recognized as of December 31, 2016 was \$3.8 million.

15. Related Party Transactions

Related Party Indebtedness

In December 2012, the Company entered into a short-term, unsecured note payable with an executive of the Company for \$1.0 million. The note required quarterly interest-only payments at 12% per annum. The note was converted to equity of the Company in two separate transactions in which the common stock was valued at \$12.16 per share. On January 31, 2014, the Company issued 41,126 shares of common stock in satisfaction of \$500,000 of the note balance. The remaining note balance was satisfied through the issuance of 41,126 shares of common stock on June 30, 2014. Interest expense recorded on the note was \$34,500 for the year ended December 31, 2014.

Other Family Relationships

In October 2015, the Company hired the brother of the chairman and chief executive officer, James G. Petcoff, as the president of a newly created managing general agency, Blue Spruce Underwriters. In this capacity, B. Matthew Petcoff leads a team of agents in writing business in the hospitality industry, focusing on quick-service restaurants.

The Company employs Nicholas J. Petcoff as its Executive Vice President and a director and Andrew D. Petcoff as its Senior Vice President of Personal Lines; each of those individuals have been employed since 2009. They are the sons of the Company's Chairman and Chief Executive Officer, James G. Petcoff.

16. Employee Benefit Plans

In 2014, the Company established a retirement savings plan under section 401(k) of the Internal Revenue Code (the “Plan”) for certain eligible employees. Eligible employees electing to participate in the 401(k) plan may defer and contribute from 1% to 100% of their compensation on a pre-tax basis, subject to statutory limits. The Company will match the employees’ contributions up to the first 4% of their compensation. The Company’s Plan expense amounted to \$405,000 and \$346,000 for the years ended December 31, 2016 and 2015, respectively.

17. Commitments and Contingencies

Legal proceedings

The Company and its subsidiaries are subject at times to various claims, lawsuits and proceedings relating principally to alleged errors or omissions in the placement of insurance, claims administration, and other business transactions arising in the ordinary course of business. Where appropriate, the Company vigorously defends such claims, lawsuits and proceedings. Some of these claims, lawsuits and proceedings seek damages, including consequential, exemplary or punitive damages, in amounts that could, if awarded, be significant. Most of the claims, lawsuits and proceedings arising in the ordinary course of business are covered by the insurance policy at issue. We account for such activity through the establishment of unpaid losses and LAE reserves. In accordance with accounting guidance, if it is probable that a liability has been incurred as of the date of the financial statements and the amount of loss is reasonably estimable; then an accrual for the costs to resolve these claims is recorded by the Company in the accompanying consolidated balance sheets. Periodic expenses related to the defense of such claims are included in the accompanying consolidated statements of operations. On the basis of current information, the Company does not believe that there is a reasonable possibility that any material loss exceeding amounts already accrued, if any, will result from any of the claims, lawsuits and proceedings to which the Company is subject to, either individually, or in the aggregate.

Commitments

In 2010, the Company entered into an agreement with an unaffiliated party to design, develop, and implement a new policy administration, billing, and claims system for the Company. The scope of work and fee structure has changed over time. Currently, the agreement requires a minimum monthly payment of \$30,000 with a fee schedule that is scalable with the premium volume, and expires on September 30, 2022.

Operating leases

The Company leases administrative office facilities, including its corporate headquarters, and office equipment under operating leases that expire at various dates through 2024. The Company has the option to extend its corporate headquarters lease for two additional five -year periods. The Company recognizes rent expense on a straight-line basis over the term of the lease. Rent expense under the operating leases totaled \$915,000 in 2016, \$795,000 in 2015, and \$871,000 in 2014.

In 2014, the Company terminated its lease for its previous corporate headquarters before the end of the lease term. The Company paid a termination fee of \$280,000 to the property owner, which was included in rent expense in 2014.

The future minimum rental payments under non-cancelable operating leases as of December 31, 2016, are as follows (in thousands):

Years Ending December 31,	Amount
2017	\$ 929
2018	825
2019	642
2020	628
2021	639
2022 and thereafter	1,567
Total future minimum rental payments	\$ 5,230

18. Segment Information

The Company is engaged in the sale of property and casualty insurance products and has organized its principal operations into two types of insurance businesses: commercial lines and personal lines. Within these two insurance businesses, the Company offers various insurance products. Such insurance businesses are engaged in underwriting and marketing insurance coverages, and administering claims processing for such policies.

The Company defines its operating segments as components of the business where separate financial information is available and used by the chief operating decision-making group in deciding how to allocate resources to its segments and in assessing its performance. In assessing performance of its operating segments, the Company's chief operating decision-making group, comprised of key senior executives, reviews a number of financial measures including gross written premiums, net earned premiums and losses and LAE, net of reinsurance recoveries. The primary measure used for making decisions about resources to be allocated to an operating segment and assessing its performance is segment underwriting gain or loss which is defined as segment revenues, consisting of net earned premiums and other income, less segment expenses, consisting of losses and LAE, policy acquisition costs and operating expenses of the operating segments. Operating expenses primarily include compensation and related benefits for underwriting personnel, policy issuance and claims systems, rent and utilities. The Company markets, distributes and sells its insurance products through its own insurance agencies and a network of independent agents. All of the Company's insurance activities are conducted in the United States with a concentration of activity in Florida, Michigan, Texas and Pennsylvania. For the years ended December 31, 2016, 2015 and 2014, gross written premiums attributable to these four states were 56.7%, 66.6%, and 70.3% respectively, of the Company's total gross written premiums.

The following table summarizes our net earned premiums:

	Net Earned Premium		
	2016	2015	2014
Commercial	77%	73%	62%
Personal	23%	27%	38%
Total	100%	100%	100%

The following provides a description of the Company's two insurance businesses and product offerings within these businesses:

- Commercial lines—offers coverage for property, liability, automobile and other miscellaneous coverage primarily to owner-operated small and mid-sized businesses, professional organizations and hospitality businesses such as restaurants, bars and taverns.
- Personal lines—offers coverage for low-value dwelling, wind-exposed homeowners and automobile.

In addition to the reportable segments, the Company maintains a Corporate and Other category to reconcile segment results to the consolidated totals. The Corporate and Other category includes: (i) corporate operating expenses such as salaries and related benefits of the Company's executive management team and finance and information technology personnel, and other corporate headquarters expenses, (ii) interest expense on the Company's senior debt obligations; (iii) depreciation and amortization on property and equipment, and (iv) all investment income activity. All investment income activity is reported within net investment income and net realized investment gains on the consolidated statements of operations.

The following tables present information by reportable segment (dollars in thousands):

Year Ended December 31, 2016	Commercial Lines	Personal Lines	Corporate & Other	Total
Gross written premiums	\$ 88,242	\$ 26,681	\$ —	\$ 114,923
Net written premiums	\$ 78,439	\$ 21,490	\$ —	\$ 99,929
Net earned premiums	\$ 68,921	\$ 20,706	\$ —	\$ 89,627
Other income	378	558	182	1,118
Segment revenue	69,299	21,264	182	90,745
Loss and loss adjustment expenses, net	42,441	16,562	—	59,003
Policy acquisition costs	18,560	6,720	—	25,280
Operating expenses	6,767	2,911	7,918	17,596
Segment expenses	67,768	26,193	7,918	101,879
Segment underwriting gain (loss)	\$ 1,531	\$ (4,929)	\$ (7,736)	\$ (11,134)
Investment income			2,173	2,173
Net realized investment gains			1,365	1,365
Other gains (losses)			(400)	(400)
Interest expense			(647)	(647)
Income (loss) before income taxes			\$ (5,245)	\$ (8,643)

Selected Balance Sheet Data:

Deferred policy acquisition costs	\$ 10,156	\$ 3,134	\$ —	\$ 13,290
Unearned premiums	44,484	13,642	—	58,126
Loss and loss adjustment expense reserves	46,917	7,734	—	54,651

Year Ended December 31, 2015	Commercial Lines	Personal Lines	Corporate & Other	Total
Gross written premiums	\$ 68,197	\$ 25,553	\$ —	\$ 93,750
Net written premiums	\$ 58,157	\$ 21,517	\$ —	\$ 79,674
Net earned premiums	\$ 48,586	\$ 18,179	\$ —	\$ 66,765
Other income	1,099	489	79	1,667
Segment revenue	49,685	18,668	79	68,432
Loss and loss adjustment expenses, net	25,730	13,152	—	38,882
Policy acquisition costs	11,937	4,246	—	16,183
Operating expenses	4,983	3,305	6,518	14,806
Segment expenses	42,650	20,703	6,518	69,871
Segment underwriting gain (loss)	\$ 7,035	\$ (2,035)	\$ (6,439)	\$ (1,439)
Investment income			1,902	1,902
Net realized investment gains			285	285
Other gains (losses)			104	104
Interest expense			(769)	(769)
Income (loss) before income taxes			\$ (4,917)	\$ 83

Selected Balance Sheet Data:

Deferred policy acquisition costs	\$ 8,401	\$ 3,701	\$ —	\$ 12,102
Unearned premiums	33,337	14,579	—	47,916
Loss and loss adjustment expense reserves	29,739	5,683	—	35,422

Year Ended December 31, 2014	Commercial Lines	Personal Lines	Corporate & Other	Total
Gross written premiums	\$ 55,056	\$ 28,791	\$ —	\$ 83,847
Net written premiums	\$ 40,958	\$ 25,341	\$ —	\$ 66,299
Net earned premiums	\$ 35,749	\$ 21,779	\$ —	\$ 57,528
Other income	918	904	(13)	1,809
Segment revenue	36,667	22,683	(13)	59,337
Loss and loss adjustment expenses, net	20,621	20,109	—	40,730
Policy acquisition costs	9,209	5,487	—	14,696
Operating expenses	4,566	2,453	5,120	12,139
Segment expenses	34,396	28,049	5,120	67,565
Segment underwriting gain (loss)	\$ 2,271	\$ (5,366)	\$ (5,133)	\$ (8,228)
Investment income			1,175	1,175
Net realized investment gains			417	417
Interest expense			(584)	(584)
Income (loss) before income taxes			\$ (4,125)	\$ (7,220)

Selected Balance Sheet Data:

Deferred policy acquisition costs	\$ 4,247	\$ 1,432	\$ —	\$ 5,679
Unearned premiums	29,062	14,319	—	43,381
Loss and loss adjustment expense reserves	22,451	9,080	—	31,531

19. Quarterly Financial Data (Unaudited)

The following is a summary of quarterly results of operations for 2016 and 2015 (in thousands, except per share and ratio data). The fluctuations between periods and changes in reserves, as disclosed in Note 5, are due to the normal fluctuations in operations from quarter to quarter.

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2016:				
Gross premiums written	\$ 25,393	29,725	28,497	31,308
Net premiums written	\$ 22,050	\$ 26,176	\$ 24,634	\$ 27,069
Net premiums earned	\$ 20,109	\$ 21,675	\$ 23,380	\$ 24,463
Net investment income	537	528	560	548
Net realized gains	(8)	541	71	761
Other gains (losses)	—	—	—	(400)
Other income	245	283	303	287
Losses and loss adjustment expenses, net	12,699	13,541	14,582	18,181
Policy acquisition costs	6,003	6,014	6,266	6,997
Operating expenses	4,139	4,536	4,710	4,211
Interest expense	157	143	168	179
Income tax (benefit) expense	—	(623)	16	530
Equity earnings (losses) in affiliates, net of tax	87	71	(47)	18
Net income (loss)	\$ (2,028)	\$ (513)	\$ (1,475)	\$ (4,421)
Net income (loss) allocable to common shareholders	\$ (2,028)	\$ (513)	\$ (1,475)	\$ (4,421)
Diluted earnings (loss) per common share (1)	\$ (0.27)	\$ (0.07)	\$ (0.19)	\$ (0.58)
Combined ratio (2)	112.2%	109.7%	107.9%	118.7%
2015:				
Gross premiums written	\$ 21,204	23,059	24,242	25,245
Net premiums written	\$ 13,666	\$ 15,942	\$ 28,599	\$ 21,467
Net premiums earned	\$ 14,493	\$ 15,115	\$ 17,883	\$ 19,274
Net investment income	486	469	505	442
Net realized gains	145	87	6	47
Other gains (losses)	—	—	104	—
Other income	489	480	523	175
Losses and loss adjustment expenses, net	8,570	8,976	9,813	11,523
Policy acquisition costs	2,595	2,639	4,605	6,344
Operating expenses	3,692	3,619	3,325	4,170
Interest expense	244	239	181	105
Income tax (benefit) expense	—	48	(48)	48
Equity losses in affiliates, net of tax	—	—	—	(52)
Net income (loss)	\$ 512	\$ 630	\$ 1,145	\$ (2,304)
Net income (loss) allocable to common shareholders	\$ 250	\$ 366	\$ 1,212	\$ (2,304)
Diluted earnings (loss) per common share (1)	\$ 0.06	\$ 0.09	\$ 0.21	\$ (0.30)
Combined ratio (2)	99.2%	97.7%	96.4%	113.3%

(1) Due to the changes in the equity structure of the Company (*Note ~ 10 Shareholders' Equity*) the weighted average common shares outstanding has fluctuated over the past two years and therefore the quarterly diluted earnings (loss) per common share does not total the full-year earnings (loss) per common share stated on the face of the Consolidated Statements of Operations.

(2) The combined ratio is the sum of the loss ratio and the expense ratio. The loss ratio is the ratio, expressed as a percentage, of net losses and LAE to net premiums earned and other income. The expense ratio is the ratio, expressed as a percentage, of policy acquisition costs and operating expenses to net earned premiums and other income.

Schedule II
Conifer Holdings, Inc.
Condensed Financial Information of Registrant
Balance Sheets – Parent Company Only
(dollars in thousands)

	December 31,	
	2016	2015
Assets		
Investment in subsidiaries	\$ 78,637	\$ 84,982
Cash	4,639	2,529
Due from subsidiaries	946	1,096
Other assets	2,009	1,912
Total assets	\$ 86,231	\$ 90,519
Liabilities and Shareholders' Equity		
Liabilities:		
Senior debt	\$ 17,750	\$ 12,750
Accounts payable and accrued expenses	196	311
Other liabilities	491	196
Total liabilities	18,437	13,257
Shareholders' equity:		
Common stock, no par value (100,000,000 shares authorized; 7,633,070 and 7,644,492 issued and outstanding, respectively)	80,342	80,111
Accumulated deficit	(11,468)	(3,031)
Accumulated other comprehensive income (loss)	(1,080)	182
Total shareholders' equity	67,794	77,262
Total liabilities and shareholders' equity	\$ 86,231	\$ 90,519

Schedule II
Conifer Holdings, Inc.
Condensed Financial Information of Registrant
Statements of Comprehensive Income (Loss) – Parent Company Only
(dollars in thousands)

	Year Ended December 31,		
	2016	2015	2014
Revenue			
Management fees from subsidiaries	\$ 9,911	\$ 8,007	\$ 8,100
Other income	51	64	20
Total revenue	9,962	8,071	8,120
Expenses			
Operating expenses	16,995	13,710	9,962
Interest expense	647	766	584
Total expenses	17,642	14,476	10,546
Loss before equity in earnings (losses) of subsidiaries and income tax benefit	(7,680)	(6,405)	(2,426)
Income tax benefit	(864)	(1,025)	(77)
Loss before equity earnings (losses) of subsidiaries	(6,816)	(5,380)	(2,349)
Equity earnings (losses) in subsidiaries	(1,621)	5,363	(4,590)
Net income (loss)	(8,437)	(17)	(6,939)
Less net loss attributable to noncontrolling interest	—	(81)	(4)
Net income (loss) attributable to Conifer	\$ (8,437)	\$ 64	\$ (6,935)
Other Comprehensive Income			
Equity in other comprehensive income (loss) of subsidiaries	(1,262)	(976)	622
Total Comprehensive income (loss)	\$ (9,699)	\$ (912)	\$ (6,313)

Schedule II
Conifer Holdings, Inc.
Condensed Financial Information of Registrant
Statement of Cash Flows – Parent Company Only
(dollars in thousands)

	Year Ended December 31,		
	2016	2015	2014
Cash Flows from Operating Activities			
Net income (loss)	\$ (8,437)	\$ (17)	\$ (6,939)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	364	321	287
Deferred income taxes	288	140	3
Equity in undistributed (income) loss of subsidiaries	1,621	(5,363)	4,590
Incentive awards expenses - vesting of RSUs	856	303	—
Changes in operating assets and liabilities:			
Changes in due from / payable to subsidiaries	150	(921)	(10)
Other assets	(270)	(396)	(92)
Accounts payable and accrued expenses	(115)	(20)	86
Other liabilities	120	(480)	(19)
Net cash used in operating activities	<u>(5,423)</u>	<u>(6,433)</u>	<u>(2,094)</u>
Cash Flows From Investing Activities			
Contributions to subsidiaries	(2,100)	(7,500)	(46,006)
Dividends received from subsidiaries	5,450	2,700	500
Purchases of property and equipment	(192)	(146)	(434)
Net cash provided by (used in) investing activities	<u>3,158</u>	<u>(4,946)</u>	<u>(45,940)</u>
Cash Flows From Financing Activities			
Proceeds received from issuance of shares of common stock	—	36,066	28,475
Proceeds from issuance of shares of preferred stock	—	—	6,060
Repurchase of common stock	(625)	—	—
Repurchase of preferred stock	—	(6,275)	—
Borrowings under debt arrangements	7,000	4,400	18,500
Repayment of borrowings under debt arrangements	(2,000)	(19,212)	(4,075)
Dividends paid to preferred shareholders	—	(384)	(191)
Payment of offering costs	—	(1,837)	—
Net cash provided by financing activities	<u>4,375</u>	<u>12,758</u>	<u>48,769</u>
Net increase in cash	2,110	1,379	735
Cash at beginning of period	2,529	1,150	415
Cash at end of period	<u>\$ 4,639</u>	<u>\$ 2,529</u>	<u>\$ 1,150</u>
Supplemental Disclosure of Cash Flow Information:			
Interest paid	\$ 641	\$ 844	\$ 510
Non-cash dividend received from subsidiaries	—	400	—

Conifer Holding, Inc.
Condensed Financial Information of Registrant
Parent Company Only
Notes to Condensed Financial Statements

1. Accounting Policies

Organization

Conifer Holdings, Inc. (the "Parent") is a Michigan-domiciled holding company organized for the purpose of managing its insurance entities. The Parent conducts its principal operations through these entities.

Basis of Presentation

The accompanying condensed financial information should be read in conjunction with the Consolidated Financial Statements and related Notes of Conifer Holdings, Inc. and Subsidiaries. Investments in subsidiaries are accounted for using the equity method. Under the equity method, the investment in subsidiaries is stated at cost plus contributions and equity in undistributed income (loss) of consolidated subsidiaries less dividends received since the date of acquisition.

The Parent's operations consist of income earned from management and administrative services performed for the insurance entities pursuant to intercompany services agreements. These management and administrative services include providing management, marketing, offices and equipment, and premium collection, for which the insurance companies pay fees based on a percentage of gross premiums written. Also, the Parent receives commission income for performing agency services. The primary operating costs of the Parent are salaries and related costs of corporate personnel, including information technology, administrative expenses, and professional fees. The income received from the management and administrative services is used to meet debt service requirements and pay federal income taxes.

Estimates and Assumptions

Preparation of the condensed financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed financial statements and accompanying disclosures. Those estimates are inherently subject to change, and actual results may ultimately differ from those estimates.

Dividends

The Parent received cash dividends from its subsidiaries of \$5.5 million, \$2.7 million and \$500,000 for the years ended December 31, 2016, 2015 and 2014, respectively.

Schedule V
Conifer Holdings, Inc.
Valuation and Qualifying Accounts
For the Years Ended December 31, 2016, 2015 and 2014
(dollars in thousands)

	Balance at Beginning of Period	Charged to Expense	Decrease to Other Comprehensive Income	Deductions from Allowance Account	Balance at End of Period
Valuation for Deferred Tax Assets					
2016	\$ 5,160	\$ 2,808	\$ 421	\$ —	\$ 8,389
2015	\$ 6,917	\$ —	\$ —	\$ (1,757)	\$ 5,160
2014	\$ 4,634	2,283	—	—	\$ 6,917

CONIFER HOLDINGS, INC.
Exhibit Index

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed / Furnished Herewith
		Form	Period Ending	Exhibit / Appendix Number	Filing Date	
3.1	Second Amended and Restated Articles of Incorporation of Conifer Holdings, Inc.	8-K	September 30, 2015	3.1	August 28, 2015	
3.2	Amended and Restated Bylaws of Conifer Holdings, Inc.	S-1A	September 30, 2015	3.4	July 30, 2015	
10.1	Amended and Restated Credit Agreement dated as of September 29, 2014, between the Company and Comerica Bank, N.A.	S-1	December 30, 2014	10.1.1	July 2, 2015	
10.2	First Amendment to Amended and Restated Credit Agreement and Waiver dated May 4, 2015, between the Company and Comerica Bank, N.A.	S-1	June 30, 2015	10.1.2	July 2, 2015	
10.3	Second Amendment to Amended and Restated Credit Agreement dated June 29, 2015, between the Company and Comerica Bank, N.A.	S-1	June 30, 2015	10.1.3	July 30, 2015	
10.4	Third Amendment to Amended and Restated Credit Agreement and Consent dated as of August 6, 2015 between the Company and Comerica Bank, N.A.	10-Q	June 30, 2015	10.1.3	September 14, 2015	
10.5	Fourth Amendment to Amended and Restated Credit Agreement and Consent dated as of January 26, 2016 between the Company and Comerica Bank, N.A.	10-K	December 31, 2015	10.5	March 15, 2016	
10.6	2015 Omnibus Incentive Plan	S-1		10.2	July 2, 2015	
10.7	Lease Agreement, dated September 18, 2013, as amended	S-1		10.3	July 2, 2015	
10.8	Fifth Amendment to Amended and Restated Credit Agreement and Consent dated as of July 21, 2016 between the Company and Comerica Bank, N.A.					*
10.9	Sixth Amendment to Amended and Restated Credit Agreement and Consent dated as of September 29, 2016 between the Company and Comerica Bank, N.A.					*
10.10	Seventh Amendment to Amended and Restated Credit Agreement and Consent dated as of October 28, 2016 between the Company and Comerica Bank, N.A.					*
10.11	Eighth Amendment to Amended and Restated Credit Agreement and Consent dated as of November 30, 2016 between the Company and Comerica Bank, N.A.					*

10.12	Ninth Amendment to Amended and Restated Credit Agreement and Consent dated as of March 13, 2017 between the Company and Comerica Bank, N.A.	*
10.13	Employment agreements - Nicholas J. Petcoff, James G. Petcoff Andrew D. Petcoff, Brian J. Roney	*
21.1	List of Subsidiaries of the Company	*
23.1	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm	*
31.1	Section 302 Certification — CEO	*
31.2	Section 302 Certification — CFO	*
32.1*	Section 906 Certification — CEO	*
32.2*	Section 906 Certification — CFO	*
101.INS	XBRL Instance Document	*
101.SCH	XBRL Taxonomy Extension Schema Document	*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	*
101.DEF	XBRL Taxonomy Extension Definition Linkbase	*
101.LAB	XBRL Taxonomy Extension Label Linkbase	*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	*

* This certification is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CONIFER HOLDINGS, INC.

By: /s/ James G. Petcoff

James G. Petcoff
Chairman and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Harold J. Meloche

Harold J. Meloche
Chief Financial Officer and Treasurer
(Principal Accounting and Financial Officer)

Dated: March 15, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ James G. Petcoff</u> James G. Petcoff	Chairman and Chief Executive Officer (Principal Executive Officer)	March 15, 2017
<u>/s/ Harold J. Meloche</u> Harold J. Meloche	Chief Financial Officer and Treasurer (Principal Accounting and Financial Officer)	March 15, 2017
<u>/s/ Mark McCammon</u> Mark McCammon	Director	March 15, 2017
<u>/s/ Nicholas J. Petcoff</u> Nicholas J. Petcoff	Director	March 15, 2017
<u>/s/ Jorge Morales</u> Jorge Morales	Director	March 15, 2017
<u>/s/ Richard J. Williams, Jr.</u> Richard J. Williams, Jr.	Director	March 15, 2017

**FIFTH AMENDMENT TO
AMENDED AND RESTATED CREDIT AGREEMENT**

THIS FIFTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT ("Amendment") dated as of July 21, 2016, by and between Conifer Holdings, Inc., a Michigan corporation ("Company") and Comerica Bank ("Bank").

RECITALS:

A. Company and Bank entered into an Amended and Restated Credit Agreement dated as of September 29, 2014, as amended by three amendments ("Agreement").

B. Company and Bank desire to amend the Agreement all as hereinafter set forth.

NOW, THEREFORE, the parties agree as follows:

1. The following definition in Section 1 of the Agreement is amended to read as follows:

"Revolving Credit Maturity Date" shall mean October 1, 2016.

2. Company hereby represents and warrants that, after giving effect to the provisions of this Amendment, (a) execution, delivery and performance of this Amendment and any other documents and instruments required under this Amendment or the Agreement are within its corporate powers, have been duly authorized, are not in contravention of law or the terms of Company's Certificate of Incorporation or Bylaws, and do not require the consent or approval of any governmental body, agency, or authority; and this Amendment and any other documents and instruments required under this Amendment or the Agreement, will be valid and binding in accordance with their terms; (b) the continuing representations and warranties of Company set forth in Sections 6.1 through 6.5 and 6.7 through 6.12 of the Agreement are true and correct on and as of the date hereof with the same force and effect as made on and as of the date hereof; (c) the continuing representations and warranties of Company set forth in Section 6.6 of the Agreement are true and correct as of the date hereof with respect to the most recent financial statements furnished to the Bank by Company in accordance with Section 7.1 of the Agreement; and (d) no Event of Default (as defined in the Agreement) or condition or event which, with the giving of notice or the running of time, or both, would constitute an Event of Default under the Agreement, as hereby amended, has occurred and is continuing as of the date hereof.

3. Except as expressly provided herein, all of the terms and conditions of the Agreement remain unchanged and in full force and effect.

4. Company hereby waives, discharges, and forever releases Bank, Bank's employees, officers, directors, attorneys, stockholders and successors and assigns, from and of any and all claims, causes of action, allegations or assertions that Company has or may have had at any time up through and including the date of this Amendment, against any or all of the foregoing, regardless of whether any such claims, causes of action, allegations or assertions arose as a result of Bank's actions or omissions in connection with the Agreement, or any

amendments, extensions or modifications thereto, or Bank's administration of debt evidenced by the Agreement or otherwise.

5. This Amendment shall be effective upon (a) execution of this Agreement by Company and the Bank and (b) executed and delivered by Company to Bank of an Amendment to Note in form and substance acceptable to Bank.

IN WITNESS the due execution hereof as of the day and year first above written.

COMERICA BANK

CONIFER HOLDINGS, INC.

By: Paul G. Rimmer

By: Brian J. Rortey

Its: Vice President

Its: President



Amendment to Note

This Amendment to Note ("Amendment"), made, delivered, and effective as of July 21, 2016, by and between Conifer Holdings, Inc. ("Borrower") and COMERICA BANK ("Bank").

WHEREAS, Borrower and Bank are parties to that certain note in the original principal amount of \$17,500,000 dated September 29, 2014 ("Note"); and

WHEREAS, Bank and Borrower desire to amend the Note as set forth below;

NOW, THEREFORE, in consideration of the premises and the mutual promises contained in this Amendment, Borrower and Bank agree as follows:

1. The Maturity Date is now October 1, 2016.
2. Borrower is responsible for all costs incurred by Bank, including without limit reasonable attorney fees, with regard to the preparation and execution of this Amendment.
3. The execution of this Amendment shall not be deemed to be a waiver of any Default or Event of Default.
4. All the terms used in this Amendment which are defined in the Note shall have the same meaning as used in the Note, unless otherwise defined in this Amendment.
5. Borrower waives, discharges, and forever releases Bank, Bank's employees, officers, directors, attorneys, stockholders, and their successors and assigns, from and of any and all claims, causes of action, allegations or assertions that Borrower has or may have had at any time up through and including the date of this Amendment, against any or all of the foregoing, regardless of whether any such claims, causes of action, allegations or assertions are known to Borrower or whether any such claims, causes of action, allegations or assertions arose as result of Bank's actions or omissions in connection with the Note, or any amendments, extensions or modifications thereto, or Bank's administration of the debt evidenced by the Note or otherwise.
6. This Amendment is not an agreement to any further or other amendment of the Note.
7. Borrower expressly acknowledges and agrees that except as expressly amended in this Amendment, the Note, as amended, remains in full force and effect and is ratified, confirmed and restated.

IN WITNESS WHEREOF, the parties have executed and delivered this Amendment on the date set forth above.

CONIFER HOLDINGS, INC.

By: 
SIGNATURE OF

Its: President
TITLE (IF APPLICABLE)

COMERICA BANK

By: 
SIGNATURE OF PAUL G. RUSSO

Its: Vice President

**CLOSING AGENDA
CONIFER HOLDINGS, INC.**

September 29, 2016

1. Sixth Amendment to Amended and Restated Credit Agreement (12861663)
2. Amendment to Note (12861657)
3. Consistency Letter (12867340) (Bank and Bodman Only)

**SIXTH AMENDMENT TO
AMENDED AND RESTATED CREDIT AGREEMENT**

THIS SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT ("Amendment") dated as of September 29, 2016, by and between Conifer Holdings, Inc., a Michigan corporation ("Company") and Comerica Bank ("Bank").

RECITALS:

A. Company and Bank entered into an Amended and Restated Credit Agreement dated as of September 29, 2014, as amended by three amendments ("Agreement").

B. Company and Bank desire to amend the Agreement all as hereinafter set forth.

NOW, THEREFORE, the parties agree as follows:

1. The following definition in Section 1 of the Agreement is amended to read as follows:

"Revolving Credit Maturity Date" shall mean November 1, 2016.

2. Company hereby represents and warrants that, after giving effect to the provisions of this Amendment, (a) execution, delivery and performance of this Amendment and any other documents and instruments required under this Amendment or the Agreement are within its corporate powers, have been duly authorized, are not in contravention of law or the terms of Company's Certificate of Incorporation or Bylaws, and do not require the consent or approval of any governmental body, agency, or authority; and this Amendment and any other documents and instruments required under this Amendment or the Agreement, will be valid and binding in accordance with their terms; (b) the continuing representations and warranties of Company set forth in Sections 6.1 through 6.5 and 6.7 through 6.12 of the Agreement are true and correct on and as of the date hereof with the same force and effect as made on and as of the date hereof; (c) the continuing representations and warranties of Company set forth in Section 6.6 of the Agreement are true and correct as of the date hereof with respect to the most recent financial statements furnished to the Bank by Company in accordance with Section 7.1 of the Agreement; and (d) no Event of Default (as defined in the Agreement) or condition or event which, with the giving of notice or the running of time, or both, would constitute an Event of Default under the Agreement, as hereby amended, has occurred and is continuing as of the date hereof.

3. Except as expressly provided herein, all of the terms and conditions of the Agreement remain unchanged and in full force and effect.

4. Company hereby waives, discharges, and forever releases Bank, Bank's employees, officers, directors, attorneys, stockholders and successors and assigns, from and of any and all claims, causes of action, allegations or assertions that Company has or may have had at any time up through and including the date of this Amendment, against any or all of the foregoing, regardless of whether any such claims, causes of action, allegations or assertions arose as a result of Bank's actions or omissions in connection with the Agreement, or any

amendments, extensions or modifications thereto, or Bank's administration of debt evidenced by the Agreement or otherwise.

5. This Amendment shall be effective upon (a) execution of this Agreement by Company and the Bank and (b) executed and delivered by Company to Bank of an Amendment to Note in form and substance acceptable to Bank.

IN WITNESS the due execution hereof as of the day and year first above written.

COMERICA BANK

CONIFER HOLDINGS, INC.

By: _____

By:  _____

Its: Vice President

Its: president _____



Amendment to Note

This Amendment to Note ("Amendment"), made, delivered, and effective as of September 29, 2016, by and between Conifer Holdings, Inc. ("Borrower") and COMERICA BANK ("Bank").

WHEREAS, Borrower and Bank are parties to that certain note in the original principal amount of \$17,500,000 dated September 29, 2014, as amended ("Note"); and

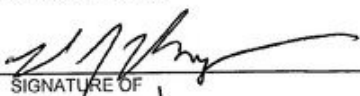
WHEREAS, Bank and Borrower desire to amend the Note as set forth below;

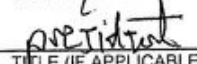
NOW, THEREFORE, in consideration of the premises and the mutual promises contained in this Amendment, Borrower and Bank agree as follows:

1. The Maturity Date is now November 1, 2016.
2. Borrower is responsible for all costs incurred by Bank, including without limit reasonable attorney fees, with regard to the preparation and execution of this Amendment.
3. The execution of this Amendment shall not be deemed to be a waiver of any Default or Event of Default.
4. All the terms used in this Amendment which are defined in the Note shall have the same meaning as used in the Note, unless otherwise defined in this Amendment.
5. Borrower waives, discharges, and forever releases Bank, Bank's employees, officers, directors, attorneys, stockholders, and their successors and assigns, from and of any and all claims, causes of action, allegations or assertions that Borrower has or may have had at any time up through and including the date of this Amendment, against any or all of the foregoing, regardless of whether any such claims, causes of action, allegations or assertions are known to Borrower or whether any such claims, causes of action, allegations or assertions arose as result of Bank's actions or omissions in connection with the Note, or any amendments, extensions or modifications thereto, or Bank's administration of the debt evidenced by the Note or otherwise.
6. This Amendment is not an agreement to any further or other amendment of the Note.
7. Borrower expressly acknowledges and agrees that except as expressly amended in this Amendment, the Note, as amended, remains in full force and effect and is ratified, confirmed and restated.

IN WITNESS WHEREOF, the parties have executed and delivered this Amendment on the date set forth above.

CONIFER HOLDINGS, INC.

By: 
SIGNATURE OF

Its: 
TITLE (IF APPLICABLE)

COMERICA BANK

By: _____
SIGNATURE OF PAUL G. RUSSO

Its: Vice President

**SEVENTH AMENDMENT TO
AMENDED AND RESTATED CREDIT AGREEMENT**

THIS SEVENTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT ("Amendment") dated as of October 28, 2016, by and between Conifer Holdings, Inc., a Michigan corporation ("Company") and Comerica Bank ("Bank").

RECITALS:

A. Company and Bank entered into an Amended and Restated Credit Agreement dated as of September 29, 2014, as amended by three amendments ("Agreement").

B. Company and Bank desire to amend the Agreement all as hereinafter set forth.

NOW, THEREFORE, the parties agree as follows:

1. The following definition in Section 1 of the Agreement is amended to read as follows:

"Revolving Credit Maturity Date" shall mean December 1, 2016.

2. Company hereby represents and warrants that, after giving effect to the provisions of this Amendment, (a) execution, delivery and performance of this Amendment and any other documents and instruments required under this Amendment or the Agreement are within its corporate powers, have been duly authorized, are not in contravention of law or the terms of Company's Certificate of Incorporation or Bylaws, and do not require the consent or approval of any governmental body, agency, or authority; and this Amendment and any other documents and instruments required under this Amendment or the Agreement, will be valid and binding in accordance with their terms; (b) the continuing representations and warranties of Company set forth in Sections 6.1 through 6.5 and 6.7 through 6.12 of the Agreement are true and correct on and as of the date hereof with the same force and effect as made on and as of the date hereof; (c) the continuing representations and warranties of Company set forth in Section 6.6 of the Agreement are true and correct as of the date hereof with respect to the most recent financial statements furnished to the Bank by Company in accordance with Section 7.1 of the Agreement; and (d) no Event of Default (as defined in the Agreement) or condition or event which, with the giving of notice or the running of time, or both, would constitute an Event of Default under the Agreement, as hereby amended, has occurred and is continuing as of the date hereof.

3. Except as expressly provided herein, all of the terms and conditions of the Agreement remain unchanged and in full force and effect.

4. Company hereby waives, discharges, and forever releases Bank, Bank's employees, officers, directors, attorneys, stockholders and successors and assigns, from and of any and all claims, causes of action, allegations or assertions that Company has or may have had at any time up through and including the date of this Amendment, against any or all of the foregoing, regardless of whether any such claims, causes of action, allegations or assertions arose as a result of Bank's actions or omissions in connection with the Agreement, or any

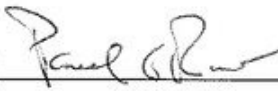
amendments, extensions or modifications thereto, or Bank's administration of debt evidenced by the Agreement or otherwise.

5. This Amendment shall be effective upon (a) execution of this Agreement by Company and the Bank and (b) executed and delivered by Company to Bank of an Amendment to Note in form and substance acceptable to Bank.

IN WITNESS the due execution hereof as of the day and year first above written.

COMERICA BANK

CONIFER HOLDINGS, INC.

By: 

By: 

Its: Vice President

Its: President

**CLOSING AGENDA
CONIFER HOLDINGS, INC.**

November __, 2016

1. Eighth Amendment to Amended and Restated Credit Agreement (12857706)
2. \$17,500,000 Master Revolving Note (12857731) ✓
3. Amendment to \$7,500,000 Note (12941399) ✓
4. Amendment to \$5,000,000 Note (12941400) ✓
5. Security Agreement - Sycamore Insurance Agency, Inc. (12857760) ✓
 - (a) Financing Statement
6. Security Agreement – American Colonial Insurance Services, Inc. (12857864) ✓
 - (a) Financing Statement
7. Guaranty – Sycamore Insurance & American Colonial (12857747) ✓
8. Lien Searches:
 - (a) Sycamore Insurance Agency, Inc.
 - (b) American Colonial Insurance Services, Inc.
9. Closing Certificate - Sycamore Insurance Agency, Inc. (12857788) ✓
10. Corporate Resolutions - Sycamore Insurance Agency, Inc. (12857774) ✓
11. Good Standing Certificate - Sycamore Insurance Agency, Inc.
12. Closing Certificate - American Colonial Insurance Services, Inc. (12857825) ✓
13. Corporate Resolutions - American Colonial Insurance Services, Inc. (12857780) ✓
14. Good Standing Certificate - American Colonial Insurance Services, Inc.
15. Consistency Letter (12946648) (Bank and Bodman Only)

**EIGHTH AMENDMENT TO
AMENDED AND RESTATED CREDIT AGREEMENT**

THIS EIGHTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT ("Amendment") dated as of November 30, 2016, by and between Conifer Holdings, Inc., a Michigan corporation ("Company") and Comerica Bank ("Bank").

RECITALS:

A. Company and Bank entered into an Amended and Restated Credit Agreement dated as of September 29, 2014, as amended by seven amendments ("Agreement").

B. Company and Bank desire to amend the Agreement all as hereinafter set forth.

NOW, THEREFORE, the parties agree as follows:

1. The following definitions in Section 1 of the Agreement are amended to read as follows:

"Fixed Charge Coverage Ratio (1)" shall mean, as of any date of determination, a ratio, the numerator of which is Consolidated Net Income of Company less net income from Subsidiaries (to the extent included in Net Income when applying the consolidated basis of accounting, in accordance with GAAP) for the four preceding fiscal quarters ending on such date, plus to the extent deducted in determining Net Income, interest expense, depreciation and amortization expenses (only to the extent directly recorded in Company) for such period, plus the Dividend Paying Capacity of all Insurance Subsidiaries plus dividends received in cash by Company from its Subsidiaries during such period and the denominator of which is the sum of (A) the amount of all dividends paid by Company to its shareholders during such period, (B) all scheduled principal and interest payments with respect to Funded Debt of Company during such period, (C) all payments by Company with respect to Capital Leases during such period, and (D) 16.67% of the Revolving Credit Facility Amount.

"Revolving Credit Maturity Date" shall mean August 1, 2018.

"Tangible Net Worth" shall mean as of any date Net Worth less the Intangible Assets of the Company and its consolidated Subsidiaries, all determined as of such date. For purposes of this Agreement, "Intangible Assets" means the amount (to the extent reflected in determining such Net Worth) of (i) all write-ups (other than write-ups resulting from foreign currency translations, write-ups of assets of a going concern business made within twelve months after the acquisition of such business and write-ups of the investment portfolios of Company and its consolidated Subsidiaries made in accordance with GAAP) in the book value of any asset owned by Company and its consolidated Subsidiaries, (ii) loans or advances to Affiliates and receivables from Affiliates, (iii) all investments in unconsolidated Subsidiaries of the Company and all equity

investments in Persons which are not Subsidiaries of Company (provided that this exclusion shall not include Permitted Investments) and (iv) all unamortized debt discount and expense, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights, organization or developmental expenses, deferred acquisition costs and other intangible assets (other than deferred policy acquisition costs).”

2. Subsection (i) of the definition of Permitted Acquisitions is amended to read as follows:

“(i) The Bank shall have approved such acquisition, which approval may be given or withheld in Bank’s sole discretion.”

3. The following definitions are added to Section 1 of the Agreement to read as follows:

“Acquisition Advance” shall mean an Advance under the Revolving Credit Note the proceeds of which are used solely to fund a portion of the purchase consideration for a Permitted Acquisition.

“Applicable Measuring Period” shall mean for any date of determination ending (a) before December 31, 2017 the period beginning January 1, 2017 and ending on such date and (b) on or after December 31, 2017, the four preceding fiscal quarters then ended.

“Fixed Charge Coverage Ratio (2)” shall mean, as of any date of determination, a ratio, the numerator of which is Consolidated Net Income of Company less net income from Subsidiaries (to the extent included in Net Income when applying the consolidated basis of accounting, in accordance with GAAP) for the Applicable Measuring Period ending on such date, plus to the extent deducted in determining Net Income, depreciation and amortization expenses (only to the extent directly recorded in Company) for such period, plus dividends received in cash by Company from its Subsidiaries during such period and the denominator of which is the sum of (A) the amount of all dividends paid by Company to its shareholders during such period and (B) all scheduled principal payments with respect to Funded Debt of Company during such period.”

4. Section 2.1 of the Agreement is amended to read as follows:

“2.1 Bank agrees to make Advances to Company at any time and from time to time from the effective date hereof until the Revolving Credit Maturity Date, not to exceed the Revolving Credit Facility Amount in aggregate principal amount at any one time outstanding. All of the Advances under this Section 2 shall be evidenced by the Revolving Credit Note under which Advances, repayments and readvances may be made, subject to the terms and conditions of this Agreement. Notwithstanding the foregoing, Advances shall not exceed Twelve Million Five Hundred Thousand Dollars (\$12,500,000) except to the extent of Acquisition Advances. Each time an Acquisition Advance is made, it

shall be evidenced by an installment note in form and substance acceptable to Bank with a term and amortization acceptable to Bank. In addition, at the time each Acquisition Advance is made, the Revolving Credit Facility Amount shall permanently decrease by the amount of the Acquisition Advance.”

5. Section 7.2 of the Agreement is amended to read as follows:

“7.2 Furnish to Bank:

- (a) Within seventy five (75) days after and as the end of each fiscal quarter, a covenant compliance certificate substantially in form attached hereto as Exhibit D;
- (b) within five (5) days after the occurrence thereof, written notice from Company of any change in the Best rating of an Insurance Subsidiary or in any other change in any rating of any Insurance Subsidiary by any other rating agency; and
- (c) at least five (5) days prior to execution thereof, copies of all documents evidencing any indebtedness to the Federal Home Loan Bank Board permitted under Section 8.12(f) or (g).”

6. Section 7.13 of the Agreement is amended to read as follows:

“7.13 Maintain as of the end of each fiscal quarter of Company a Tangible Effective Net Worth of not less than \$65,000,000.”

7. Section 7.15 of the Agreement is amended to read as follows:

“7.15 Maintain (a) as of December 31, 2016 a Fixed Charge Coverage Ratio (1) of not less than 1.20 to 1.0, and as of the end of each fiscal quarter (commencing March 31, 2017), a Fixed Charge Coverage Ratio (1) of not less than 1.20 to 1.0, and (b) as of the end of each fiscal quarter, a Fixed Charge Coverage Ratio (2) of not less than 1.15 to 1.0.”

8. Section 8.1 of the Agreement is amended to read as follows:

“8.1 Purchase, acquire or redeem any of its stock or make any material change in its capital structure, except redemptions of Company’s stock in an aggregate amount not exceeding \$650,000 (the amount of all such redemptions which occurred prior to December 31, 2016 shall be counted in determining compliance with this limitation).”

9. Section 8.2 of the Agreement is amended to read as follows:

“8.2 Enter into any merger or consolidation or sell, lease, transfer, or dispose of all, substantially all, or any part of its assets, except sales of inventory in the ordinary course of its business, except for the merger of White Pine

Insurance Company and American Colonial Insurance Company with White Pine Insurance Company as the survivor.”

10. Section 8.12 of the Agreement is amended to read as follows:

“8.12 Become or remain obligated for any indebtedness for borrowed money, or for any indebtedness incurred in connection with the acquisition of any property, real or personal, tangible or intangible, except:

- (a) indebtedness to Bank;
- (b) current unsecured trade payables and accrued liabilities arising in the ordinary course of Company’s business (including, without limitation, obligations under operating leases);
- (c) indebtedness described in attached Schedule 8.13;
- (d) Subordinated Debt;
- (e) purchase money indebtedness incurred in connection with the acquisition of fixed assets in an aggregate amount not exceeding \$500,000 incurred during any single fiscal year of Company;
- (f) secured indebtedness of Conifer Insurance Company to the Federal Home Loan Bank in an amount not exceeding \$12,000,000 at any time outstanding incurred to provide liquidity to pay claims during a catastrophic event and incurred on terms and conditions acceptable to Bank; and
- (g) secured indebtedness of White Pine Insurance Company to the Federal Home Loan Bank in an amount not exceeding \$8,000,000 at any time outstanding incurred to provide liquidity to pay claims during a catastrophic event and incurred on terms and conditions acceptable to Bank.”

11. The following Section 10.6 is added to the Agreement to read as follows:

“10.6 If the Company fails to comply with Sections 7.13 or 7.15 for any fiscal quarter (“Financial Covenant Defaults”), then the Company may cure such Financial Covenant Default by obtaining proceeds of Subordinated Debt (the “Contribution Amount”), subject to the following:

- (a) the Company must deliver a written notification (the “Cure Notice”) to the Bank that it intends to exercise the cure right under this Section 10.6 prior to the date that is ten (10) days before the date on which the covenant compliance report in respect of the applicable fiscal quarter is required to have been delivered pursuant to Section 7.2(a) (the “Cure Notification Date”);

- (b) the Contribution Amount shall be included in the calculation of Consolidated Net Income for purposes of determining compliance with the Fixed Charge Coverage Ratio (1) and Fixed Charge Coverage Ratio (2) and shall be included in the calculation of Tangible Effective Net Worth, in each case solely for the purposes of determining compliance with Sections 7.13 and 7.15 at the end of such fiscal quarter and for the three subsequent fiscal quarters following such cure and not for purposes of determining any financial ratio-based conditions, pricing or any baskets with respect to the covenants contained in this Agreement or any other Loan Document;
- (c) the Contribution Amount shall be in an amount no greater than the amount required to cause the Company to be in compliance with Section 7.13 or 7.15, as applicable, for the applicable fiscal quarter;
- (d) the Company may not exercise its rights under this Section 10.6 more than once in each four quarter period and two times during the term of this Agreement; and
- (e) as of the date that such cure right is exercised in accordance with this Section 10.6, no Default or Event of Default (other than the Financial Covenant Defaults) exists.”

12. Exhibit “D” to the Agreement is deleted and attached Exhibit “D” is substituted in its place.

13. Company hereby represents and warrants that, after giving effect to the provisions of this Amendment, (a) execution, delivery and performance of this Amendment and any other documents and instruments required under this Amendment or the Agreement are within its corporate powers, have been duly authorized, are not in contravention of law or the terms of Company’s Certificate of Incorporation or Bylaws, and do not require the consent or approval of any governmental body, agency, or authority; and this Amendment and any other documents and instruments required under this Amendment or the Agreement, will be valid and binding in accordance with their terms; (b) the continuing representations and warranties of Company set forth in Sections 6.1 through 6.5 and 6.7 through 6.12 of the Agreement are true and correct on and as of the date hereof with the same force and effect as made on and as of the date hereof; (c) the continuing representations and warranties of Company set forth in Section 6.6 of the Agreement are true and correct as of the date hereof with respect to the most recent financial statements furnished to the Bank by Company in accordance with Section 7.1 of the Agreement; and (d) no Event of Default (as defined in the Agreement) or condition or event which, with the giving of notice or the running of time, or both, would constitute an Event of Default under the Agreement, as hereby amended, has occurred and is continuing as of the date hereof.

14. Except as expressly provided herein, all of the terms and conditions of the Agreement remain unchanged and in full force and effect.

15. Company hereby waives, discharges, and forever releases Bank, Bank's employees, officers, directors, attorneys, stockholders and successors and assigns, from and of any and all claims, causes of action, allegations or assertions that Company has or may have had at any time up through and including the date of this Amendment, against any or all of the foregoing, regardless of whether any such claims, causes of action, allegations or assertions arose as a result of Bank's actions or omissions in connection with the Agreement, or any amendments, extensions or modifications thereto, or Bank's administration of debt evidenced by the Agreement or otherwise.

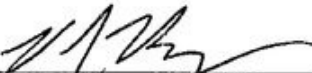
16. This Amendment shall be effective upon (a) execution of this Agreement by Company and the Bank, (b) payment by Company to Bank of a non-refundable amendment fee in the amount of \$43,750, and (c) execution and delivery by Company to Bank of the documents and instruments listed in the Closing Agenda dated November 30, 2016.

IN WITNESS the due execution hereof as of the day and year first above written.

COMERICA BANK

CONIFER HOLDINGS, INC.

By: 
Paul G. Russo

By: 
Brian J. Ronney

Its: Vice President

Its: President

EXHIBIT "D"

COVENANT COMPLIANCE REPORT

To: Comerica Bank

Re: Amended and Restated Credit Agreement dated as of September 29, 2014 (the "Agreement")

This Covenant Compliance Report ("Report") is furnished pursuant to Section 7.2 of the Agreement and sets forth various information as of _____, ____ (the "Computation Date").

1. Tangible Effective Net Worth. On the Computation Date, the Tangible Effective Net Worth, which is required to be not less than \$ _____, was \$ _____ as computed in the supporting documents attached hereto as Schedule 1.

2. Total Adjusted Capital. On the Computation Date, the total adjusted capital percentage, which is required to be at least 300%, was the following percent for each Insurance Subsidiaries as set forth below as computed in the supporting documents attached hereto as Schedule 2.*

<u>Insurance Subsidiary</u>	<u>Percentage</u>
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

3. Fixed Charge Coverage Ratio (1). On the Computation Date, the Fixed Charge Coverage Ratio (1), which is required to be not less than 1.2 to 1.0, was _____ to 1.0 as computed in the supporting documents attached hereto as Schedule 3. To be computed quarterly as of December 31, 2016 and thereafter.

4. Fixed Charge Coverage Ratio (2). On the Computation Date, the Fixed Charge Coverage Ratio, which is required to be not less than 1.15 to 1.0, was _____ to 1.0 as computed in the supporting documents attached hereto as Schedule 4. To be computed quarterly for the Applicable Measuring Period then ended.

5. Net Premium and Gross Premium Ratios. On the Computation Date, the Net Premium Ratio, which is required to be not more than 2.0 to 1.0 was the following ratio for each Insurance Subsidiary as set forth below and the Gross Premium Ratio which is required to be not more than 3.0 to 1.0 was the following ratio for each Insurance Subsidiary as set forth below, as computed in the supporting documents attached as Schedule 5.

1. Net Premium Ratio

<u>Insurance Subsidiary</u>	<u>Ratio</u>
_____	_____ to 1.0

_____	_____ to 1.0
_____	_____ to 1.0
_____	_____ to 1.0

2. Gross Premium Ratio

<u>Insurance Subsidiary</u>	<u>Ratio</u>
_____	_____ to 1.0
_____	_____ to 1.0
_____	_____ to 1.0
_____	_____ to 1.0

7. Ratings. The following are the Insurance Subsidiaries (a) with Best ratings below the Required Rating: _____;

(b) with respect to which the Best rating has been downgraded more than one level during any period of twelve (12) consecutive months: _____; and

(c) for which the Best rating has been withdrawn: _____.

8. Reinsurance Contracts. The percentage of Net Uncollateralized Reinsurance Recoverables with Persons with a Best rating below A- is ____% as computed in the supporting documents attached as Schedule 6.*

9. Dividend Paying Capacity. Dividend paying capacity for the fiscal year ending _____, 201__ was \$_____ as compiled in the supporting documents attached as Schedule 8.*

*To be completed only for Computation Dates ending December 31 of a year.

10. Capital Expenditures. As of the Computation Date, Capital Expenditures for the applicable fiscal year which is required to be less than \$500,000 was \$_____.

The undersigned officer of Company hereby certifies that:

A. To the best of the undersigned officer's knowledge, all of the information set forth in this Report (and in any Schedule attached hereto) is true and correct in all material respects.

B. To the best of the undersigned officer's knowledge, as of the Computation Date, the Company has observed and performed all of its covenants and other agreements contained in the Agreement and in the Note and any other Loan Documents to be observed, performed and satisfied by them.

C. I have reviewed the Agreement and this Report is based on an examination sufficient to assure that this Report is accurate.

D. To the best of the undersigned officer's knowledge, except as stated in Schedule 8 hereto (which shall describe any existing Event of Default and the notice and period of existence

thereof and any action taken with respect thereto or contemplated to be taken by Company), no Event of Default has occurred and is continuing on the date of this Report.

Capitalized terms used in this Report and in the schedules hereto, unless specifically defined to the contrary, have the meanings given to them in the Agreement.

IN WITNESS WHEREOF, Company has caused this Report to be executed and delivered by its duly authorized officer this _____ day of _____, _____.

CONIFER HOLDINGS, INC.

By: _____

Its: _____



Master Revolving Note
LIBOR-based Rate/Prime Referenced Rate
Maturity Date-Optional Advances (Business and Commercial Loans Only)

AMOUNT	NOTE DATE	MATURITY DATE
\$17,500,000	NOVEMBER 29, 2016	August 1, 2018

On or before the Maturity Date set forth above, FOR VALUE RECEIVED, the undersigned promise(s) to pay to the order of COMERICA BANK (herein called "Bank"), at any office of the Bank in the State of Michigan, the principal sum of SEVENTEEN MILLION FIVE HUNDRED THOUSAND DOLLARS (\$17,500,000) ("Commitment Amount"), or so much of said sum as has been advanced and is then outstanding under this Note, together with interest thereon as hereinafter set forth.

The Commitment Amount shall permanently reduce by the amount of any Acquisition Advances (as defined in the Credit Agreement) immediately upon the making of any such Acquisition Advances.

This Note is a note under which Advances, repayments and re-Advances may be made from time to time, subject to the terms and conditions of this Note.

AT NO TIME SHALL THE BANK BE UNDER ANY OBLIGATION TO MAKE ANY ADVANCES TO THE UNDERSIGNED PURSUANT TO THIS NOTE (NOTWITHSTANDING ANYTHING EXPRESSED OR IMPLIED IN THIS NOTE OR ELSEWHERE TO THE CONTRARY INCLUDING, WITHOUT LIMITATION, IF BANK SUPPLIES THE UNDERSIGNED WITH A BORROWING FORMULA) IN THE EVENT THAT ANY DEFAULT, OR ANY CONDITION OR EVENT WHICH, WITH THE GIVING OF NOTICE OR THE RUNNING OF TIME, OR BOTH, WOULD CONSTITUTE A DEFAULT, SHALL HAVE OCCURRED AND BE CONTINUING OR EXIST, IN WHICH EVENT, BANK, AT ANY TIME AND FROM TIME TO TIME, WITHOUT NOTICE, AND IN ITS SOLE DISCRETION, MAY REFUSE TO MAKE ADVANCES TO THE UNDERSIGNED WITHOUT INCURRING ANY LIABILITY DUE TO THIS REFUSAL AND WITHOUT AFFECTING THE UNDERSIGNED'S LIABILITY UNDER THIS NOTE FOR ANY AND ALL AMOUNTS ADVANCED.

Subject to the terms and conditions of this Note, each of the Advances made hereunder shall bear interest at the LIBOR-based Rate plus the Applicable Margin or the Prime Referenced Rate plus the Applicable Margin, as elected by the undersigned or as otherwise determined under this Note.

Accrued and unpaid interest on the unpaid balance of each outstanding Advance hereunder shall be payable quarterly, in arrears, on the first Business Day of each calendar quarter (commencing October 1, 2016), until maturity (whether as stated herein, by acceleration, or otherwise). Interest accruing on the basis of the Prime Referenced Rate shall be computed on the basis of a year of 360 days, and shall be assessed for the actual number of days elapsed, and in such computation, effect shall be given to any change in the Applicable Interest Rate as a result of any change in the Prime Referenced Rate on the date of each such change. Accrued and unpaid interest on each LIBOR-based Advance shall be payable on the last day of the Interest Period applicable thereto (unless sooner accelerated in accordance with the terms of this Note); provided, however, if such Interest Period in respect of any such LIBOR-based Advance is more than three (3) months, interest thereon shall also be payable at intervals of three (3) months from the date of such Advance. Interest accruing on the basis of the LIBOR-based Rate shall be computed on the basis of a 360 day year and shall be assessed for the actual number of days elapsed from the first day of the Interest Period applicable thereto but not including the last day thereof.

From and after the occurrence of any Default hereunder, and so long as any such Default remains unremedied or uncured thereafter, the Indebtedness outstanding under this Note shall bear interest at a per annum rate of three percent (3%) above the otherwise Applicable Interest Rate(s), which interest shall be payable upon demand. In addition to the foregoing, a late payment charge equal to five percent (5%) of each late payment hereunder may be charged on any payment not received by Bank within ten (10) calendar days after the payment due date therefor, but acceptance of payment of any such charge shall not constitute a waiver of any Default hereunder.

In no event shall the interest payable under this Note at any time exceed the maximum rate permitted by law.

The amount and date of each Advance, its Applicable Interest Rate, its Interest Period, if applicable, and the amount and date of any repayment shall be noted on Bank's records, which records shall be conclusive evidence thereof, absent

manifest error; provided, however, any failure by Bank to make any such notation, or any error in any such notation, shall not relieve the undersigned of its/their obligations to repay Bank all amounts payable by the undersigned to Bank under or pursuant to this Note, when due in accordance with the terms hereof.

The undersigned may request an Advance hereunder, including the refunding of an outstanding Advance as the same type of Advance or the conversion of an outstanding Advance to another type of Advance, either (i) upon the delivery to Bank of a written Request for Advance duly completed and executed by the undersigned (as herein provided) or, (ii) to the extent applicable, pursuant to a request submitted through Bank's Loan Management System (each a "Request"), in each case, subject to the following: (a) no Default, or any condition or event which, with the giving of notice or the running of time, or both, would constitute a Default, shall have occurred and be continuing or exist under this Note; (b) each such Request shall be delivered to Bank by 11:00 a.m. (Detroit, Michigan time) on the proposed date of the requested Advance; (c) the principal amount of each LIBOR-based Advance shall be at least Two Hundred Fifty Thousand Dollars (\$250,000.00) (or such lesser amount as is acceptable to Bank in its sole discretion); (d) the proposed date of any refunding of any outstanding LIBOR-based Advance as another LIBOR-based Advance or the conversion of any outstanding LIBOR-based Advance to another type of Advance shall only be on the last day of the Interest Period applicable to such outstanding LIBOR-based Advance; (e) after giving effect to such Advance, the aggregate unpaid principal amount of Advances outstanding under this Note shall not exceed the face amount of this Note; and (f) a Request, once delivered or submitted to Bank, shall not be revocable by the undersigned.

In the event that the undersigned is unable to request Advances hereunder through the Bank's Loan Management System, Advances hereunder may be requested by delivery or submission to Bank by hand delivery, first class mail, overnight courier, facsimile, email or other means of delivery acceptable to Bank, of a written Request for Advance duly completed and executed by the undersigned. Advances hereunder may be requested in the undersigned's discretion by telephonic notice to Bank. Any Advance requested by telephonic notice shall be confirmed by the undersigned that same day by submission to Bank of a written Request for Advance, as provided herein. The undersigned acknowledge(s) that if Bank makes an Advance based on a request made by telephone, facsimile, email or other means of delivery (other than by hand delivery, first class mail or overnight courier), it shall be for the undersigned's convenience and all risks involved in the use of any such procedure shall be borne by the undersigned, and the undersigned expressly agree(s) to indemnify and hold Bank harmless therefor. Bank shall have no duty to confirm the authority of anyone requesting an Advance by telephone, facsimile, email or any such other means of delivery. In the event that the undersigned elect(s) to request Advances by telephonic notice, facsimile, email or other means of delivery acceptable to Bank, the undersigned acknowledge(s) and agree(s) that Bank may impose or require such verification, authentication and other procedures as Bank may require from time to time.

If, as to any outstanding LIBOR-based Advance, Bank shall not receive a timely Request, or telephonic notice, in accordance with the foregoing requesting the refunding or continuation of such Advance as another LIBOR-based Advance for a specified Interest Period or the conversion of such Advance to a Prime-based Advance, effective as of the last day of the Interest Period applicable to such outstanding LIBOR-based Advance, and as of the last day of each succeeding Interest Period, the principal amount of such Advance which is not then repaid shall be automatically refunded or continued as a LIBOR-based Advance having an Interest Period equal to the same period of time as the Interest Period then ending for such outstanding LIBOR-based Advance, unless the undersigned is/are not entitled to request LIBOR-based Advances hereunder or otherwise elect the LIBOR-based Rate as the basis for the Applicable Interest Rate for the principal Indebtedness outstanding hereunder in accordance with the terms of this Note, or the LIBOR-based Rate is not otherwise available to the undersigned as the basis for the Applicable Interest Rate hereunder for the principal Indebtedness outstanding hereunder in accordance with the terms of this Note, in which case, the Prime Referenced Rate plus the Applicable Margin, shall be the Applicable Interest Rate hereunder in respect of such Indebtedness for such period, subject in all respects to the terms and conditions of this Note. The foregoing shall not in any way whatsoever limit or otherwise affect any of Bank's rights or remedies under this Note upon the occurrence of any Default hereunder, or any condition or event which, with the giving of notice or the running of time, or both, would constitute a Default.

Subject to the definition of an "Interest Period" hereunder, in the event that any payment under this Note becomes due and payable on any day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day, and, to the extent applicable, interest shall continue to accrue and be payable thereon during such extension at the rates set forth in this Note.

All payments to be made by the undersigned to Bank under or pursuant to this Note shall be in immediately available United States funds, without setoff or counterclaim, and in the event that any payments submitted hereunder are in funds not available until collected, said payments shall continue to bear interest until collected.

If the undersigned make(s) any payment of principal with respect to any LIBOR-based Advance on any day other than the last day of the Interest Period applicable thereto (whether voluntarily, by acceleration, required payment or otherwise), or if the undersigned fail(s) to borrow any LIBOR-based Advance or fail(s) to refund an outstanding LIBOR-based Advance as a LIBOR-based Advance or to convert an outstanding Advance to a LIBOR-based Advance, in any such case, after notice has been given by the undersigned (or any of them) to Bank in accordance with the terms of this Note requesting such Advance, or such refunding or conversion, or if the undersigned fail(s) to make any payment of principal or interest in respect of a LIBOR-based Advance when due, the undersigned shall reimburse Bank, on demand, for any resulting loss, cost or expense incurred by Bank as a result thereof, including, without limitation, any such loss, cost or expense incurred in obtaining, liquidating, employing or redeploying deposits from third parties, whether or not Bank shall have funded or committed to fund such Advance. Such amount payable by the undersigned to Bank may include, without limitation, an amount equal to the excess, if any, of (a) the amount of interest which would have accrued on the amount so prepaid, or not so borrowed, refunded or converted, for the period from the date of such prepayment or of such failure to borrow, refund or convert, through the last day of the relevant Interest Period, at the applicable rate of interest for said Advance(s) provided under this Note, over (b) the amount of interest (as reasonably determined by Bank) which would have accrued to Bank on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank eurodollar market. Calculation of any amounts payable to Bank under this paragraph shall be made as though Bank shall have actually funded or committed to fund the relevant LIBOR-based Advance through the purchase of an underlying deposit in an amount equal to the amount of such Advance and having a maturity comparable to the relevant Interest Period; provided, however, that Bank may fund any LIBOR-based Advance in any manner it deems fit and the foregoing assumptions shall be utilized only for the purpose of the calculation of amounts payable under this paragraph. Upon the written request of the undersigned, Bank shall deliver to the undersigned a certificate setting forth the basis for determining such losses, costs and expenses, which certificate shall be conclusively presumed correct, absent manifest error. The undersigned may prepay all or part of the outstanding balance of any Prime-based Advance under this Note or any Indebtedness hereunder which is bearing interest based upon the Prime Referenced Rate at any such time without premium or penalty. Any prepayment hereunder shall also be accompanied by the payment of all accrued and unpaid interest on the amount so prepaid.

For any LIBOR-based Advance, if Bank shall designate a LIBOR Lending Office which maintains books separate from those of the rest of Bank, Bank shall have the option of maintaining and carrying such Advance on the books of such LIBOR Lending Office.

If, at any time, Bank determines that, (a) Bank is unable to determine or ascertain the LIBOR-based Rate, or (b) by reason of circumstances affecting the foreign exchange and interbank markets generally, deposits in eurodollars in the applicable amounts or for the relative maturities are not being offered to Bank for any applicable Advance or Interest Period, or (c) the LIBOR-based Rate plus the Applicable Margin will not accurately or fairly cover or reflect the cost to Bank of maintaining any of the Indebtedness under this Note based upon the LIBOR-based Rate, then Bank shall forthwith give notice thereof to the undersigned. Thereafter, until Bank notifies the undersigned that such conditions or circumstances no longer exist, the right of the undersigned to request a LIBOR-based Advance and to convert an Advance to or refund an Advance as a LIBOR-based Advance shall be suspended, and the Prime Referenced Rate plus the Applicable Margin shall be the Applicable Interest Rate for all Indebtedness hereunder during such period of time.

If any Change in Law shall make it unlawful or impossible for the Bank (or its LIBOR Lending Office) to make or maintain any Advance with interest based upon the LIBOR-based Rate, Bank shall forthwith give notice thereof to the undersigned. Thereafter, (a) until Bank notifies the undersigned that such conditions or circumstances no longer exist, the right of the undersigned to request a LIBOR-based Advance and to convert an Advance to or refund an Advance as a LIBOR-based Advance shall be suspended, and thereafter, the undersigned may select only the Prime Referenced Rate plus the Applicable Margin as the Applicable Interest Rate for the Indebtedness hereunder, and (b) if Bank may not lawfully continue to maintain an outstanding LIBOR-based Advance to the end of the then current Interest Period applicable thereto, the Prime Referenced Rate plus the Applicable Margin shall be the Applicable Interest Rate for the remainder of such Interest Period with respect to such outstanding Advance.

If any Change in Law shall (a) subject Bank (or its LIBOR Lending Office) to any tax, duty or other charge with respect to this Note or any Indebtedness hereunder, or shall change the basis of taxation of payments to Bank (or its LIBOR Lending Office) of the principal of or interest under this Note or any other amounts due under this Note in respect thereof (except for changes in the rate of tax on the overall net income of Bank or its LIBOR Lending Office imposed by the jurisdiction in which Bank's principal executive office or LIBOR Lending Office is located); or (b) impose, modify or deem applicable any reserve (including, without limitation, any imposed by the Board of Governors of the Federal Reserve System), special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by Bank (or its LIBOR Lending Office), or shall impose on Bank (or its LIBOR Lending Office) or the foreign exchange and interbank markets any other condition affecting this Note or the Indebtedness hereunder, and the result of any of the foregoing is to

increase the cost to Bank of maintaining any part of the Indebtedness hereunder or to reduce the amount of any sum received or receivable by Bank under this Note by an amount deemed by the Bank to be material, then the undersigned shall pay to Bank, within fifteen (15) days of the undersigned's receipt of written notice from Bank demanding such compensation, such additional amount or amounts as will compensate Bank for such increased cost or reduction. A certificate of Bank, prepared in good faith and in reasonable detail by Bank and submitted by Bank to the undersigned, setting forth the basis for determining such additional amount or amounts necessary to compensate Bank shall be conclusive and binding for all purposes, absent manifest error.

In the event that any Change in Law affects or would affect the amount of capital or liquidity required or expected to be maintained by Bank (or any corporation controlling Bank), and Bank determines that the amount of such capital or liquidity is increased by or based upon the existence of any obligations of Bank hereunder or the maintaining of any Indebtedness hereunder, and such increase has the effect of reducing the rate of return on Bank's (or such controlling corporation's) capital as a consequence of such obligations or the maintaining of such Indebtedness hereunder to a level below that which Bank (or such controlling corporation) could have achieved but for such circumstances (taking into consideration its policies with respect to capital adequacy and liquidity), then the undersigned shall pay to Bank, within fifteen (15) days of the undersigned's receipt of written notice from Bank demanding such compensation, additional amounts as are sufficient to compensate Bank (or such controlling corporation) for any increase in the amount of capital and/or liquidity and reduced rate of return which Bank reasonably determines to be allocable to the existence of any obligations of the Bank hereunder or to maintaining any Indebtedness hereunder. A certificate of Bank as to the amount of such compensation, prepared in good faith and in reasonable detail by the Bank and submitted by Bank to the undersigned, shall be conclusive and binding for all purposes absent manifest error.

This Note and any other indebtedness and liabilities of any kind of the undersigned (or any of them) to the Bank, and any and all modifications, renewals or extensions of it, whether joint or several, contingent or absolute, now existing or later arising, and however evidenced and whether incurred voluntarily or involuntarily, known or unknown, or originally payable to the Bank or to a third party and subsequently acquired by Bank including, without limitation, any late charges; loan fees or charges; overdraft indebtedness; costs incurred by Bank in establishing, determining, continuing or defending the validity or priority of any security interest, pledge or other lien or in pursuing any of its rights or remedies under any loan document (or otherwise) or in connection with any proceeding involving the Bank as a result of any financial accommodation to the undersigned (or any of them); and reasonable costs and expenses of attorneys and paralegals, whether inside or outside counsel is used, and whether any suit or other action is instituted, and to court costs if suit or action is instituted, and whether any such fees, costs or expenses are incurred at the trial court level or on appeal, in bankruptcy, in administrative proceedings, in probate proceedings or otherwise (collectively "Indebtedness"), are secured by and the Bank is granted a security interest in and lien upon all items deposited in any account of any of the undersigned with the Bank and by all proceeds of these items (cash or otherwise), all account balances of any of the undersigned from time to time with the Bank, by all property of any of the undersigned from time to time in the possession of the Bank and by any other collateral, rights and properties described in each and every deed of trust, mortgage, security agreement, pledge, assignment and other security or collateral agreement which has been, or will at any time(s) later be, executed by any (or all) of the undersigned to or for the benefit of the Bank (collectively "Collateral"). Notwithstanding the above, (i) to the extent that any portion of the Indebtedness is a consumer loan, that portion shall not be secured by any deed of trust or mortgage on or other security interest in any of the undersigned's principal dwelling or in any of the undersigned's real property which is not a purchase money security interest as to that portion, unless expressly provided to the contrary in another place, or (ii) if the undersigned (or any of them) has (have) given or give(s) Bank a deed of trust or mortgage covering California real property, that deed of trust or mortgage shall not secure this Note or any other indebtedness of the undersigned (or any of them), unless expressly provided to the contrary in another place, or (iii) if the undersigned (or any of them) has (have) given or give(s) the Bank a deed of trust or mortgage covering real property which, under Texas law, constitutes the homestead of such person, that deed of trust or mortgage shall not secure this Note or any other indebtedness of the undersigned (or any of them) unless expressly provided to the contrary in another place.

Upon the occurrence of a Default, then the Bank may, at its option and without prior notice to the undersigned (or any of them), declare any or all of the Indebtedness to be immediately due and payable (notwithstanding any provisions contained in the evidence of it to the contrary), sell or liquidate all or any portion of the Collateral, set off against the Indebtedness any amounts owing by the Bank to the undersigned (or any of them), charge interest at the default rate provided in the document evidencing the relevant Indebtedness and exercise any one or more of the rights and remedies granted to the Bank by any agreement with the undersigned (or any of them) or given to it under applicable law.

The undersigned authorize(s) the Bank to charge any account(s) of the undersigned (or any of them) with the Bank for any and all sums due hereunder when due; provided, however, that such authorization shall not affect any of the undersigned's obligation to pay to the Bank all amounts when due, whether or not any such account balances that are

maintained by the undersigned with the Bank are insufficient to pay to the Bank any amounts when due, and to the extent that such accounts are insufficient to pay to the Bank all such amounts, the undersigned shall remain liable for any deficiencies until paid in full.

If this Note is signed by two or more parties (whether by all as makers or by one or more as an accommodation party or otherwise), the obligations and undertakings under this Note shall be that of all and any two or more jointly and also of each severally. This Note shall bind the undersigned, and the undersigned's respective heirs, personal representatives, successors and assigns.

The undersigned waive(s) presentment, demand, protest, notice of dishonor, notice of demand or intent to demand, notice of acceleration or intent to accelerate, and all other notices, and agree(s) that no extension or indulgence to the undersigned (or any of them) or release, substitution or nonenforcement of any security, or release or substitution of any of the undersigned, any guarantor or any other party, whether with or without notice, shall affect the obligations of any of the undersigned. The undersigned waive(s) all defenses or right to discharge available under Section 3-605 of the Michigan Uniform Commercial Code and waive(s) all other suretyship defenses or right to discharge. The undersigned agree(s) that the Bank has the right to sell, assign, or grant participations or any interest in, any or all of the Indebtedness, and that, in connection with this right, but without limiting its ability to make other disclosures to the full extent allowable, the Bank may disclose all documents and information which the Bank now or later has relating to the undersigned or the Indebtedness. The undersigned agree(s) that the Bank may provide information relating to this Note or relating to the undersigned to the Bank's parent, affiliates, subsidiaries and service providers.

The undersigned agree(s) to pay or reimburse to Bank, or any other holder or owner of this Note, on demand, any and all costs and expenses of Bank (including, without limit, court costs, legal expenses and reasonable attorneys' fees, whether inside or outside counsel is used, whether or not suit is instituted, and, if suit is instituted, whether at the trial court level, appellate level, in a bankruptcy, probate or administrative proceeding or otherwise) incurred in connection with the preparation, execution, delivery, amendment, administration, and performance of this Note and the related documents, or incurred in collecting or attempting to collect this Note or the Indebtedness, or incurred in any other matter or proceeding relating to this Note or the Indebtedness.

The undersigned acknowledge(s) and agree(s) that there are no contrary agreements, oral or written, establishing a term of this Note and agree(s) that the terms and conditions of this Note may not be amended, waived or modified except in a writing signed by an officer of the Bank expressly stating that the writing constitutes an amendment, waiver or modification of the terms of this Note. As used in this Note, the word "undersigned" means, individually and collectively, each maker, accommodation party, endorser and other party signing this Note in a similar capacity. If any provision of this Note is unenforceable in whole or part for any reason, the remaining provisions shall continue to be effective. **THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF MICHIGAN, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.**

For the purposes of this Note, the following terms have the following meanings:

"Advance" means a borrowing requested by the undersigned and made by Bank under this Note, including any refunding of an outstanding Advance as the same type of Advance or the conversion of any such outstanding Advance to another type of Advance, and shall include a LIBOR-based Advance and a Prime-based Advance.

"Applicable Interest Rate" means the LIBOR-based Rate plus the Applicable Margin or the Prime Referenced Rate plus the Applicable Margin, as selected by the undersigned from time to time or as otherwise determined in accordance with the terms and conditions of this Note.

"Applicable Margin" means:

- (a) in respect of the LIBOR-based Rate, three and one quarter percent (3 1/4%) per annum; and
- (b) in respect of the Prime Referenced Rate, one and one half percent (1 1/2%) per annum.

"Business Day" means any day, other than a Saturday, Sunday or any other day designated as a holiday under Federal or applicable State statute or regulation, on which Bank is open for all or substantially all of its domestic and international business (including dealings in foreign exchange) in Detroit, Michigan, and, in respect of notices and determinations relating to LIBOR-based Advances, the LIBOR-based Rate and the Daily Adjusting LIBOR Rate, also a day on which dealings in dollar deposits are also carried on in the London interbank market and on which banks are open for business in London, England.

"Change in Law" means the occurrence, after the date hereof, of any of the following: (i) the adoption or introduction of, or any change in any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not applicable to Bank on such date, or (ii) any change in interpretation, administration or implementation thereof of any such law, treaty, rule or regulation by any Governmental Authority, or (iii) the issuance, making or implementation by any Governmental Authority of any interpretation, administration, request, regulation, guideline, or directive (whether or not having the force of law), including, without limitation, any risk-based capital guidelines or any interpretation, administration, request, regulation, guideline, or directive relating to liquidity. For purposes of this definition, (x) a change in law, treaty, rule, regulation, interpretation, administration or implementation shall include, without limitation, any change made or which becomes effective on the basis of a law, treaty, rule, regulation, interpretation administration or implementation then in force, the effective date of which change is delayed by the terms of such law, treaty, rule, regulation, interpretation, administration or implementation, and (y) the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. 111-203, H.R. 4173) and all requests, rules, regulations, guidelines, interpretations or directives promulgated thereunder or issued in connection therewith shall be deemed to be a "Change in Law", regardless of the date enacted, adopted, issued or promulgated, whether before or after the date hereof, and (z) 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 regulatory authorities, in each case pursuant to Basel III, shall each be deemed to be a "Change in Law", regardless of the date enacted, adopted, issued or implemented.

"Daily Adjusting LIBOR Rate" means, for any day, a per annum interest rate which is equal to the quotient of the following:

(a) for any day, the per annum rate of interest determined on the basis of the rate for deposits in United States Dollars for a period equal to one (1) month appearing on Page BBAM of the Bloomberg Financial Markets Information Service at or about 11:00 a.m. (London, England time) (or as soon thereafter as practical) on such day, or if such day is not a Business Day, on the immediately preceding Business Day. In the event that such rate does not appear on Page BBAM of the Bloomberg Financial Markets Information Service (or otherwise on such Service) on any day, the "Daily Adjusting LIBOR Rate" for such day shall be determined by reference to such other publicly available service for displaying eurodollar rates as may be reasonably selected by Bank, or, in the absence of such other service, the "Daily Adjusting LIBOR Rate" for such day shall, instead, be determined based upon the average of the rates at which Bank is offered dollar deposits at or about 11:00 a.m. (Detroit, Michigan time) (or as soon thereafter as practical), on such day, or if such day is not a Business Day, on the immediately preceding Business Day, in the interbank eurodollar market in an amount comparable to the applicable principal amount of Indebtedness hereunder and for a period equal to one (1) month;

divided by

(b) 1.00 minus the maximum rate (expressed as a decimal) on such day at which Bank is required to maintain reserves on "Euro-currency Liabilities" as defined in and pursuant to Regulation D of the Board of Governors of the Federal Reserve System or, if such regulation or definition is modified, and as long as Bank is required to maintain reserves against a category of liabilities which includes eurodollar deposits or includes a category of assets which includes eurodollar loans, the rate at which such reserves are required to be maintained on such category;

provided, however, and notwithstanding anything to the contrary set forth in this Note, if at any time the Daily Adjusting LIBOR Rate determined as provided above would be less than zero percent (0%), then the Daily Adjusting LIBOR Rate shall be deemed to be zero percent (0%) per annum for all purposes of this Note. Each calculation by Bank of the Daily Adjusting LIBOR Rate shall be conclusive and binding for all purposes, absent manifest error.

"Default" shall mean any Event of Default, as defined in the Amended and Restated Credit Agreement dated September 29, 2014 between undersigned and Bank, as the same may be amended or modified from time to time ("Credit Agreement").

"Governmental Authority" means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including, without limitation, any supranational bodies such as the European Union or the European Central Bank).

"Interest Period" means, with respect to a LIBOR-based Advance, a period of one (1) month, two (2) months, three (3) months or six (6) months, as selected by the undersigned (and which period is acceptable to Bank in its sole discretion), or as otherwise determined pursuant to and in accordance with the terms of this Note, commencing on the day a LIBOR-based Advance is made or the day an Advance is converted to a LIBOR-based Advance or the day an outstanding LIBOR-based Advance is refunded or continued as another LIBOR-based Advance for an applicable Interest Period, provided that any Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day, except that if the next succeeding Business Day falls in another calendar month, the Interest Period shall end on the next preceding Business Day, and when an Interest Period begins on a day which has no numerically corresponding day in the calendar month during which such Interest Period is to end, it shall end on the last Business Day of such calendar month. In the event that any LIBOR-based Advance is at any time refunded or continued as another LIBOR-based Advance for an additional Interest Period, such Interest Period shall commence on the last day of the preceding Interest Period then ending.

"LIBOR-based Advance" means an Advance which bears interest at the LIBOR-based Rate plus the Applicable Margin.

"LIBOR-based Rate" means a per annum interest rate which is equal to the quotient of the following:

- (a) the LIBOR Rate;
divided by
- (b) 1.00 minus the maximum rate (expressed as a decimal) during such Interest Period at which Bank is required to maintain reserves on "Euro-currency Liabilities" as defined in and pursuant to Regulation D of the Board of Governors of the Federal Reserve System or, if such regulation or definition is modified, and as long as Bank is required to maintain reserves against a category of liabilities which includes eurodollar deposits or includes a category of assets which includes eurodollar loans, the rate at which such reserves are required to be maintained on such category.

"LIBOR Lending Office" means Bank's office located in the Cayman Islands, British West Indies, or such other branch of Bank, domestic or foreign, as it may hereafter designate as its LIBOR Lending Office by notice to the undersigned.

"LIBOR Rate" means, with respect to any Indebtedness outstanding under this Note bearing interest on the basis of the LIBOR-based Rate, the per annum rate of interest determined on the basis of the rate for deposits in United States Dollars for a period equal to the relevant Interest Period for such Indebtedness, commencing on the first day of such Interest Period, appearing on Page BBAM of the Bloomberg Financial Markets Information Service at or about 11:00 a.m. (London, England time) (or as soon thereafter as practical), two (2) Business Days prior to the first day of such Interest Period. In the event that such rate does not appear on Page BBAM of the Bloomberg Financial Markets Information Service (or otherwise on such Service), the "LIBOR Rate" shall be determined by reference to such other publicly available service for displaying eurodollar rates as may be reasonably selected by Bank, or, in the absence of such other service, the "LIBOR Rate" shall, instead, be determined based upon the average of the rates at which Bank is offered dollar deposits at or about 11:00 a.m. (Detroit, Michigan time) (or as soon thereafter as practical), two (2) Business Days prior to the first day of such Interest Period in the interbank eurodollar market in an amount comparable to the principal amount of the respective LIBOR-based Advance which is to bear interest on the basis of such LIBOR-based Rate and for a period equal to the relevant Interest Period; provided, however, and notwithstanding anything to the contrary set forth in this Note, if at any time the LIBOR Rate determined as provided above would be less than zero percent (0%), then the LIBOR Rate shall be deemed to be zero percent (0%) per annum for all purposes of this Note (the "LIBOR 0% Floor"), except for any portion of any outstanding Advance(s) hereunder or any principal Indebtedness outstanding under this Note which, at any such time, is/are subject to any Specified Hedging Agreement, in which case, the LIBOR Rate for such portion of such Advance(s) and Indebtedness shall be determined without giving effect to the LIBOR 0% Floor. Each calculation by Bank of the LIBOR Rate shall be conclusive and binding for all purposes, absent manifest error.

"Prime Rate" means the per annum interest rate established by Bank as its prime rate for its borrowers, as such rate may vary from time to time, which rate is not necessarily the lowest rate on loans made by Bank at any such time.

"Prime-based Advance" means an Advance which bears interest at the Prime Referenced Rate plus the Applicable Margin, subject to the terms of this Note.

"Prime Referenced Rate" means, for any day, a per annum interest rate which is equal to the Prime Rate in effect on such day, but in no event and at no time shall the Prime Referenced Rate be less than the sum of the Daily Adjusting LIBOR Rate for such day plus two and one-half percent (2.50%) per annum. If, at any time, Bank determines that it is unable to

determine or ascertain the Daily Adjusting LIBOR Rate for any day, the Prime Referenced Rate for each such day shall be the Prime Rate in effect at such time, but not less than two and one-half percent (2.50%) per annum.

"Request for Advance" means a Request for Advance issued by the undersigned under this Note in the form annexed to this Note as Exhibit "A".

"Specified Hedging Agreement" means any agreement or other documentation between the undersigned (or any of them) and Bank providing for an interest rate swap that does not provide for a minimum rate of zero percent (0%) with respect to determinations of the LIBOR Rate for the purposes of such interest rate swap (e.g., determines the floating amount by using the "negative interest rate method" rather than the "zero interest rate method" in the case of any such interest rate swap made under any master agreement or other documentation published by the International Swaps and Derivatives Association, Inc.).

No delay or failure of Bank in exercising any right, power or privilege hereunder shall affect such right, power or privilege, nor shall any single or partial exercise thereof preclude any further exercise thereof, or the exercise of any other power, right or privilege. The rights of Bank under this Note are cumulative and not exclusive of any right or remedies which Bank would otherwise have, whether by other instruments or by law.

THE MAXIMUM INTEREST RATE SHALL NOT EXCEED 25% PER ANNUM OR THE HIGHEST APPLICABLE USURY CEILING, WHICHEVER IS LESS.

THE UNDERSIGNED AND BANK, BY ACCEPTANCE OF THIS NOTE, ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED UNDER CERTAIN CIRCUMSTANCES. TO THE EXTENT PERMITTED BY LAW, EACH PARTY, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THEIR MUTUAL BENEFIT, WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS NOTE OR THE INDEBTEDNESS.

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EXHIBIT "A"

REQUEST FOR ADVANCE

CONIFER HOLDINGS, INC. (referred to herein as the "undersigned") hereby requests COMERICA BANK ("Bank") to make a _____* Advance to the undersigned on _____, _____, in the amount of _____ Dollars (\$_____) under the Master Revolving Note dated as of _____, 2016, issued by the undersigned to said Bank in the face amount of Seventeen Million Five Hundred Thousand Dollars (\$17,500,000) (the "Note"). The Interest Period for the requested Advance, if applicable, shall be _____ (_____)** month(s). In the event that any part of the Advance requested hereby constitutes the refunding or conversion of an outstanding Advance, the amount to be refunded or converted is _____ Dollars (\$_____), and the last day of the Interest Period for the amounts being converted or refunded hereunder, if applicable, is _____, 201_____.

The undersigned represent(s), warrant(s) and certify(ies) that no Default, or any condition or event which, with the giving of notice or the running of time, or both, would constitute a Default, has occurred and is continuing under the Note, and none will exist upon the making of the Advance requested hereunder. The undersigned further certify(ies) that upon advancing the sum requested hereunder, the aggregate principal amount outstanding under the Note will not exceed the face amount thereof. If the amount advanced to the undersigned under the Note shall at any time exceed the face amount thereof, the undersigned will immediately pay such excess amount, without any necessity of notice or demand.

The undersigned hereby authorize(s) Bank to disburse the proceeds of the Advance being requested by this Request for Advance by crediting the account of the undersigned with Bank separately designated by the undersigned or as the undersigned may otherwise direct, unless this Request for Advance is being submitted for a conversion or refunding of all or any part of any outstanding Advance(s), in which case, such proceeds shall be deemed to be utilized, to the extent necessary, to refund or convert that portion stated above of the existing outstandings under such Advance(s).

Capitalized terms used but not otherwise defined herein shall have the respective meanings given to them in the Note.

Dated this _____ day of _____, 201_____.

CONIFER HOLDINGS, INC.

By: _____

Its: _____

* Insert, as applicable, "LIBOR-based" or "Prime Referenced Rate".

** For a LIBOR-based Advance, insert the applicable Interest Period (i.e., "one (1)", "two (2)" or "three (3)" months).



This Amendment to Note ("Amendment"), made, delivered, and effective as of November 29, 2016, by and between Conifer Holdings, Inc. ("Borrower") and COMERICA BANK ("Bank").

WHEREAS, Borrower and Bank are parties to that certain note in the original principal amount of \$7,500,000 dated September 29, 2014 ("Note"); and

WHEREAS, Bank and Borrower desire to amend the Note as set forth below;

NOW, THEREFORE, in consideration of the premises and the mutual promises contained in this Amendment, Borrower and Bank agree as follows:

1. The definition of "Applicable Margin" in the Note is amended to read as follows:

"Applicable Margin" means:

- (a) in respect of the LIBOR-based Rate, three and three quarters percent (3 ¾%) per annum; and
- (b) in respect of the Prime Referenced Rate, two percent (2%) per annum.

2. The definition of "Change in Law" in the Note is amended to read as follows:

"Change in Law" means the occurrence, after the date hereof, of any of the following: (i) the adoption or introduction of, or any change in any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not applicable to Bank on such date, or (ii) any change in interpretation, administration or implementation thereof of any such law, treaty, rule or regulation by any Governmental Authority, or (iii) the issuance, making or implementation by any Governmental Authority of any interpretation, administration, request, regulation, guideline, or directive (whether or not having the force of law), including, without limitation, any risk-based capital guidelines or any interpretation, administration, request, regulation, guideline, or directive relating to liquidity. For purposes of this definition, (x) a change in law, treaty, rule, regulation, interpretation, administration or implementation shall include, without limitation, any change made or which becomes effective on the basis of a law, treaty, rule, regulation, interpretation administration or implementation then in force, the effective date of which change is delayed by the terms of such law, treaty, rule, regulation, interpretation, administration or implementation, and (y) the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. 111-203, H.R. 4173) and all requests, rules, regulations, guidelines, interpretations or directives promulgated thereunder or issued in connection therewith shall be deemed to be a "Change in Law", regardless of the date enacted, adopted, issued or promulgated, whether before or after the date hereof, and (z) 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 regulatory authorities, in each case pursuant to Basel III, shall each be deemed to be a "Change in Law", regardless of the date enacted, adopted, issued or implemented.

3. The definition of "Daily Adjusting LIBOR Rate" in the Note is amended to read as follows:

"Daily Adjusting LIBOR Rate" means, "Daily Adjusting LIBOR Rate" means, for any day, a per annum interest rate which is equal to the quotient of the following:

- (a) for any day, the per annum rate of interest determined on the basis of the rate for deposits in United States Dollars for a period equal to one (1) month appearing on Page BBAM of the Bloomberg Financial Markets Information Service at or about 11:00 a.m. (London, England time) (or as soon thereafter as practical) on such day, or if such day is not a Business Day, on the immediately preceding Business Day. In the event that such rate does not appear on Page BBAM of the Bloomberg Financial Markets Information Service (or otherwise on such Service) on any day, the "Daily Adjusting LIBOR Rate" for such day shall be determined by reference to such other publicly available service for displaying eurodollar rates as may be reasonably selected by Bank, or, in the absence of such other service, the "Daily Adjusting LIBOR Rate" for such day shall, instead, be determined based upon the average of the rates at which Bank is offered dollar deposits at or about 11:00 a.m. (Detroit,

Michigan time) (or as soon thereafter as practical), on such day, or if such day is not a Business Day, on the immediately preceding Business Day, in the interbank eurodollar market in an amount comparable to the applicable principal amount of Indebtedness hereunder and for a period equal to one (1) month;

divided by

(b) 1.00 minus the maximum rate (expressed as a decimal) on such day at which Bank is required to maintain reserves on "Euro-currency Liabilities" as defined in and pursuant to Regulation D of the Board of Governors of the Federal Reserve System or, if such regulation or definition is modified, and as long as Bank is required to maintain reserves against a category of liabilities which includes eurodollar deposits or includes a category of assets which includes eurodollar loans, the rate at which such reserves are required to be maintained on such category;

provided, however, and notwithstanding anything to the contrary set forth in this Note, if at any time the Daily Adjusting LIBOR Rate determined as provided above would be less than zero percent (0%), then the Daily Adjusting LIBOR Rate shall be deemed to be zero percent (0%) per annum for all purposes of this Note (the "Daily Adjusting LIBOR 0% Floor"). Each calculation by Bank of the Daily Adjusting LIBOR Rate shall be conclusive and binding for all purposes, absent manifest error.

4. The definition of "LIBOR Rate" in the Note is amended to read as follows:

"LIBOR Rate" means, with respect to any Indebtedness outstanding under this Note bearing interest on the basis of the LIBOR-based Rate, the per annum rate of interest determined on the basis of the rate for deposits in United States Dollars for a period equal to the relevant Interest Period for such Indebtedness, commencing on the first day of such Interest Period, appearing on Page BBAM of the Bloomberg Financial Markets Information Service at or about 11:00 a.m. (London, England time) (or as soon thereafter as practical), two (2) Business Days prior to the first day of such Interest Period. In the event that such rate does not appear on Page BBAM of the Bloomberg Financial Markets Information Service (or otherwise on such Service), the "LIBOR Rate" shall be determined by reference to such other publicly available service for displaying eurodollar rates as may be reasonably selected by Bank, or, in the absence of such other service, the "LIBOR Rate" shall, instead, be determined based upon the average of the rates at which Bank is offered dollar deposits at or about 11:00 a.m. (Detroit, Michigan time) (or as soon thereafter as practical), two (2) Business Days prior to the first day of such Interest Period in the interbank eurodollar market in an amount comparable to the principal amount of the respective LIBOR-based Advance which is to bear interest on the basis of such LIBOR-based Rate and for a period equal to the relevant Interest Period; provided, however, and notwithstanding anything to the contrary set forth in this Note, if at any time the LIBOR Rate determined as provided above would be less than zero percent (0%), then the LIBOR Rate shall be deemed to be zero percent (0%) per annum for all purposes of this Note (the "LIBOR 0% Floor"), except for any portion of any outstanding Advance(s) hereunder or any principal Indebtedness outstanding under this Note which, at any such time, is/are subject to any Specified Hedging Agreement, in which case, the LIBOR Rate for such portion of such Advance(s) and Indebtedness shall be determined without giving effect to the LIBOR 0% Floor. Each calculation by Bank of the LIBOR Rate shall be conclusive and binding for all purposes, absent manifest error."

5. The definition of "Specified Hedging Agreement" is added to the Note as follows:

"Specified Hedging Agreement" means "Specified Hedging Agreement" means any agreement or other documentation between the undersigned (or any of them) and Bank providing for an interest rate swap that does not provide for a minimum rate of zero percent (0%) with respect to determinations of the LIBOR Rate for the purposes of such interest rate swap (e.g., determines the floating amount by using the "negative interest rate method" rather than the "zero interest rate method" in the case of any such interest rate swap made under any master agreement or other documentation published by the International Swaps and Derivatives Association, Inc.)."

6. Other terms: (None, if left blank.)
7. Borrower is responsible for all costs incurred by Bank, including without limit reasonable attorney fees, with regard to the preparation and execution of this Amendment.
8. The execution of this Amendment shall not be deemed to be a waiver of any Default or Event of Default.


9. All the terms used in this Amendment which are defined in the Note shall have the same meaning as used in the Note, unless otherwise defined in this Amendment.
10. Borrower waives, discharges, and forever releases Bank, Bank's employees, officers, directors, attorneys, stockholders, and their successors and assigns, from and of any and all claims, causes of action, allegations or assertions that Borrower has or may have had at any time up through and including the date of this Amendment, against any or all of the foregoing, regardless of whether any such claims, causes of action, allegations or assertions are known to Borrower or whether any such claims, causes of action, allegations or assertions arose as result of Bank's actions or omissions in connection with the Note, or any amendments, extensions or modifications thereto, or Bank's administration of the debt evidenced by the Note or otherwise.
11. This Amendment is not an agreement to any further or other amendment of the Note.
12. Borrower expressly acknowledges and agrees that except as expressly amended in this Amendment, the Note, as amended, remains in full force and effect and is ratified, confirmed and restated.

[continued on next page]

IN WITNESS WHEREOF, the parties have executed and delivered this Amendment on the date set forth above.

CONIFER HOLDINGS, INC.

COMERICA BANK

By: 
SIGNATURE OF

By: 
SIGNATURE OF PAUL G. RUSSO

Its: PRESIDENT
TITLE (IF APPLICABLE)

Its: Vice President



This Amendment to Note ("Amendment"), made, delivered, and effective as of NOVEMBER 29, 2016, by and between Conifer Holdings, Inc. ("Borrower") and COMERICA BANK ("Bank").

WHEREAS, Borrower and Bank are parties to that certain note in the original principal amount of \$5,000,000 dated March 5, 2013 ("Note"); and

WHEREAS, Bank and Borrower desire to amend the Note as set forth below;

NOW, THEREFORE, in consideration of the premises and the mutual promises contained in this Amendment, Borrower and Bank agree as follows:

1. The definition of "Applicable Margin" in the Note is amended to read as follows:

"Applicable Margin" means:

- (a) in respect of the LIBOR-based Rate, three and one quarter percent (3 ¼%) per annum; and
- (b) in respect of the Prime Referenced Rate, one and one half percent (1 ½%) per annum.

2. The definition of "Change in Law" in the Note is amended to read as follows:

"Change in Law" means the occurrence, after the date hereof, of any of the following: (i) the adoption or introduction of, or any change in any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not applicable to Bank on such date, or (ii) any change in interpretation, administration or implementation thereof of any such law, treaty, rule or regulation by any Governmental Authority, or (iii) the issuance, making or implementation by any Governmental Authority of any interpretation, administration, request, regulation, guideline, or directive (whether or not having the force of law), including, without limitation, any risk-based capital guidelines or any interpretation, administration, request, regulation, guideline, or directive relating to liquidity. For purposes of this definition, (x) a change in law, treaty, rule, regulation, interpretation, administration or implementation shall include, without limitation, any change made or which becomes effective on the basis of a law, treaty, rule, regulation, interpretation administration or implementation then in force, the effective date of which change is delayed by the terms of such law, treaty, rule, regulation, interpretation, administration or implementation, and (y) the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. 111-203, H.R. 4173) and all requests, rules, regulations, guidelines, interpretations or directives promulgated thereunder or issued in connection therewith shall be deemed to be a "Change in Law", regardless of the date enacted, adopted, issued or promulgated, whether before or after the date hereof, and (z) 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 regulatory authorities, in each case pursuant to Basel III, shall each be deemed to be a "Change in Law", regardless of the date enacted, adopted, issued or implemented.

3. The definition of "Daily Adjusting LIBOR Rate" in the Note is amended to read as follows:

"Daily Adjusting LIBOR Rate" means, "Daily Adjusting LIBOR Rate" means, for any day, a per annum interest rate which is equal to the quotient of the following:

- (a) for any day, the per annum rate of interest determined on the basis of the rate for deposits in United States Dollars for a period equal to one (1) month appearing on Page BBAM of the Bloomberg Financial Markets Information Service at or about 11:00 a.m. (London, England time) (or as soon thereafter as practical) on such day, or if such day is not a Business Day, on the immediately preceding Business Day. In the event that such rate does not appear on Page BBAM of the Bloomberg Financial Markets Information Service (or otherwise on such Service) on any day, the "Daily Adjusting LIBOR Rate" for such day shall be determined by reference to such other publicly available service for displaying eurodollar rates as may be reasonably selected by Bank, or, in the absence of such other service, the "Daily Adjusting LIBOR Rate" for such day shall, instead, be determined based upon the average of the rates at which Bank is offered dollar deposits at or about 11:00 a.m. (Detroit,

Michigan time) (or as soon thereafter as practical), on such day, or if such day is not a Business Day, on the immediately preceding Business Day, in the interbank eurodollar market in an amount comparable to the applicable principal amount of Indebtedness hereunder and for a period equal to one (1) month;

divided by

(b) 1.00 minus the maximum rate (expressed as a decimal) on such day at which Bank is required to maintain reserves on "Euro-currency Liabilities" as defined in and pursuant to Regulation D of the Board of Governors of the Federal Reserve System or, if such regulation or definition is modified, and as long as Bank is required to maintain reserves against a category of liabilities which includes eurodollar deposits or includes a category of assets which includes eurodollar loans, the rate at which such reserves are required to be maintained on such category;

provided, however, and notwithstanding anything to the contrary set forth in this Note, if at any time the Daily Adjusting LIBOR Rate determined as provided above would be less than zero percent (0%), then the Daily Adjusting LIBOR Rate shall be deemed to be zero percent (0%) per annum for all purposes of this Note (the "Daily Adjusting LIBOR 0% Floor"). Each calculation by Bank of the Daily Adjusting LIBOR Rate shall be conclusive and binding for all purposes, absent manifest error.

4. The definition of "LIBOR Rate" in the Note is amended to read as follows:

"LIBOR Rate" means, with respect to any Indebtedness outstanding under this Note bearing interest on the basis of the LIBOR-based Rate, the per annum rate of interest determined on the basis of the rate for deposits in United States Dollars for a period equal to the relevant Interest Period for such Indebtedness, commencing on the first day of such Interest Period, appearing on Page BBAM of the Bloomberg Financial Markets Information Service at or about 11:00 a.m. (London, England time) (or as soon thereafter as practical), two (2) Business Days prior to the first day of such Interest Period. In the event that such rate does not appear on Page BBAM of the Bloomberg Financial Markets Information Service (or otherwise on such Service), the "LIBOR Rate" shall be determined by reference to such other publicly available service for displaying eurodollar rates as may be reasonably selected by Bank, or, in the absence of such other service, the "LIBOR Rate" shall, instead, be determined based upon the average of the rates at which Bank is offered dollar deposits at or about 11:00 a.m. (Detroit, Michigan time) (or as soon thereafter as practical), two (2) Business Days prior to the first day of such Interest Period in the interbank eurodollar market in an amount comparable to the principal amount of the respective LIBOR-based Advance which is to bear interest on the basis of such LIBOR-based Rate and for a period equal to the relevant Interest Period; provided, however, and notwithstanding anything to the contrary set forth in this Note, if at any time the LIBOR Rate determined as provided above would be less than zero percent (0%), then the LIBOR Rate shall be deemed to be zero percent (0%) per annum for all purposes of this Note (the "LIBOR 0% Floor"), except for any portion of any outstanding Advance(s) hereunder or any principal Indebtedness outstanding under this Note which, at any such time, is/are subject to any Specified Hedging Agreement, in which case, the LIBOR Rate for such portion of such Advance(s) and Indebtedness shall be determined without giving effect to the LIBOR 0% Floor. Each calculation by Bank of the LIBOR Rate shall be conclusive and binding for all purposes, absent manifest error."

5. The definition of "Specified Hedging Agreement" is added to the Note as follows:

"Specified Hedging Agreement" means "Specified Hedging Agreement" means any agreement or other documentation between the undersigned (or any of them) and Bank providing for an interest rate swap that does not provide for a minimum rate of zero percent (0%) with respect to determinations of the LIBOR Rate for the purposes of such interest rate swap (e.g., determines the floating amount by using the "negative interest rate method" rather than the "zero interest rate method" in the case of any such interest rate swap made under any master agreement or other documentation published by the International Swaps and Derivatives Association, Inc.)."

6. Other terms: (None, if left blank.)

7. Borrower is responsible for all costs incurred by Bank, including without limit reasonable attorney fees, with regard to the preparation and execution of this Amendment.

8. The execution of this Amendment shall not be deemed to be a waiver of any Default or Event of Default.

9. All the terms used in this Amendment which are defined in the Note shall have the same meaning as used in the Note, unless otherwise defined in this Amendment.
10. Borrower waives, discharges, and forever releases Bank, Bank's employees, officers, directors, attorneys, stockholders, and their successors and assigns, from and of any and all claims, causes of action, allegations or assertions that Borrower has or may have had at any time up through and including the date of this Amendment, against any or all of the foregoing, regardless of whether any such claims, causes of action, allegations or assertions are known to Borrower or whether any such claims, causes of action, allegations or assertions arose as result of Bank's actions or omissions in connection with the Note, or any amendments, extensions or modifications thereto, or Bank's administration of the debt evidenced by the Note or otherwise.
11. This Amendment is not an agreement to any further or other amendment of the Note.
12. Borrower expressly acknowledges and agrees that except as expressly amended in this Amendment, the Note, as amended, remains in full force and effect and is ratified, confirmed and restated.

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IN WITNESS WHEREOF, the parties have executed and delivered this Amendment on the date set forth above.

CONIFER HOLDINGS, INC.

COMERICA BANK

By: 
SIGNATURE OF

By: 
SIGNATURE OF PAUL G. RUSSO

Its: PRESIDENT
TITLE (IF APPLICABLE)

Its: Vice President



Security Agreement (S) SIAT
(All Assets)

As of NOVEMBER 29, 2016, for value received, the undersigned ("Debtor") pledges, assigns and grants to Comerica Bank ("Bank"), whose address is 39200 Six Mile Road, Livonia, Michigan 48152, Attention: Commercial Loan Documentation, Mail Code 7578, a continuing security interest and lien (any pledge, assignment, security interest or other lien arising hereunder is sometimes referred to herein as a "security interest") in the Collateral (as defined below) to secure payment when due, whether by stated maturity, demand, acceleration or otherwise, of all existing and future indebtedness ("Indebtedness") to the Bank of Conifer Holdings, Inc., a Michigan corporation

____ ("Borrower") and/or Debtor. Indebtedness includes without limit any and all obligations or liabilities of the Borrower and/or Debtor to the Bank, whether absolute or contingent, direct or indirect, voluntary or involuntary, liquidated or unliquidated, joint or several, known or unknown; any and all obligations or liabilities for which the Borrower and/or Debtor would otherwise be liable to the Bank were it not for the invalidity or unenforceability of them by reason of any bankruptcy, insolvency or other law, or for any other reason; any and all amendments, modifications, renewals and/or extensions of any of the above; all costs incurred by Bank in establishing, determining, continuing, or defending the validity or priority of its security interest, or in pursuing its rights and remedies under this Agreement or under any other agreement between Bank and Borrower and/or Debtor or in connection with any proceeding involving Bank as a result of any financial accommodation to Borrower and/or Debtor; and all other costs of collecting Indebtedness, including without limit attorneys fees. Debtor agrees to pay Bank all such costs incurred by the Bank, immediately upon demand, and until paid all costs shall bear interest at the highest per annum rate applicable to any of the Indebtedness, but not in excess of the maximum rate permitted by law. Any reference in this Agreement to attorneys fees shall be deemed a reference to reasonable fees, costs, and expenses of both in-house and outside counsel and paralegals, whether inside or outside counsel is used, whether or not a suit or action is instituted, and to court costs if a suit or action is instituted, and whether attorneys fees or court costs are incurred at the trial court level, on appeal, in a bankruptcy, administrative or probate proceeding or otherwise. Debtor further covenants, agrees, represents and warrants as follows:

1. **Collateral** shall mean all personal property of Debtor including, without limitation, all of the following property Debtor now or later owns or has an interest in, wherever located:

- all Accounts Receivable (for purposes of this Agreement, "Accounts Receivable" consists of all accounts, general intangibles, chattel paper (including without limit electronic chattel paper and tangible chattel paper), contract rights, deposit accounts, documents, instruments and rights to payment evidenced by chattel paper, documents or instruments, health care insurance receivables; commercial tort claims, letters of credit, letter of credit rights, supporting obligations, and rights to payment for money or funds advanced or sold),
- all Inventory,
- all Equipment and Fixtures,
- all Software (for purposes of this Agreement, "Software" consists of all (i) computer programs and supporting information provided in connection with a transaction relating to the program, and (ii) computer programs embedded in goods and any supporting information provided in connection with a transaction relating to the program whether or not the program is associated with the goods in such a manner that it customarily is considered part of the goods, and whether or not, by becoming the owner of the goods, a person acquires a right to use the program in connection with the goods, and whether or not the program is embedded in goods that consist solely of the medium in which the program is embedded),
- all investment property (including, without limit, securities, securities entitlements, and financial assets),
- specific items listed below and/or on attached Schedule A, if any, is/are also included in Collateral:

- all goods, instruments, (including, without limit, promissory notes), documents (including, without limit, negotiable documents), policies and certificates of insurance, deposit accounts, and money or other property (except real property which is not a fixture) which are now or later in possession of Bank, or as to which Bank now or later controls possession by documents or otherwise, and
- all additions, attachments, accessions, parts, replacements, substitutions, renewals, interest, dividends, distributions, rights of any kind (including but not limited to stock splits, stock rights, voting and preferential rights), products, and proceeds of or pertaining to the above including, without limit, cash or other property which were proceeds and are recovered by a bankruptcy trustee or otherwise as a preferential transfer by Debtor.

In the definition of Collateral, a reference to a type of collateral shall not be limited by a separate reference to a more specific or narrower type of that collateral.

2. Warranties, Covenants and Agreements. Debtor warrants, covenants and agrees as follows:

- 2.1 Debtor shall furnish to Bank, in form and at intervals as Bank may request, any information Bank may reasonably request and allow Bank to examine, inspect, and copy any of Debtor's books and records. Debtor shall, at the request of Bank, mark its records and the Collateral to clearly indicate the security interest of Bank under this Agreement.
- 2.2 At the time any Collateral becomes, or is represented to be, subject to a security interest in favor of Bank, Debtor shall be deemed to have warranted that (a) Debtor is the lawful owner of the Collateral and has the right and authority to subject it to a security interest granted to Bank; (b) none of the Collateral is subject to any security interest other than that in favor of Bank and security interests permitted under the Amended and Restated Credit Agreement dated September 29, 2014 between Borrower and Bank ("Permitted Liens"); (c) there are no financing statements on file, other than in favor of Bank and those filed with respect to Permitted Liens; (d) no person, other than Bank, has possession or control (as defined in the Uniform Commercial Code) of any Collateral of such nature that perfection of a security interest may be accomplished by control; and (e) Debtor acquired its rights in the Collateral in the ordinary course of its business.
- 2.3 Debtor will keep the Collateral free at all times from all claims, liens, security interests and encumbrances other than those in favor of Bank and Permitted Liens. Debtor will not, without the prior written consent of Bank, sell, transfer or lease, or permit to be sold, transferred or leased, any or all of the Collateral, except (where inventory is pledged as Collateral) for inventory in the ordinary course of its business and will not return any inventory to its supplier. Bank or its representatives may at all reasonable times inspect the Collateral and may enter upon all premises where the Collateral is kept or might be located.
- 2.4 Debtor will do all acts and will execute or cause to be executed all writings requested by Bank to establish, maintain and continue an exclusive, perfected and first security interest of Bank in the Collateral. Debtor agrees that Bank has no obligation to acquire or perfect any lien on or security interest in any asset(s), whether realty or personalty, to secure payment of the Indebtedness, and Debtor is not relying upon assets in which the Bank may have a lien or security interest for payment of the Indebtedness.
- 2.5 Debtor will pay within the time that they can be paid without interest or penalty all taxes, assessments and similar charges which at any time are or may become a lien, charge, or encumbrance upon any Collateral, except to the extent contested in good faith and bonded in a manner satisfactory to Bank. If Debtor fails to pay any of these taxes, assessments, or other charges in the time provided above, Bank has the option (but not the obligation) to do so and Debtor agrees to repay all amounts so expended by Bank immediately upon demand, together with interest at the highest lawful default rate which could be charged by Bank on any Indebtedness.
- 2.6 Debtor will keep the Collateral in good condition and will protect it from loss, damage, or deterioration from any cause. Debtor has and will maintain at all times (a) with respect to the Collateral, insurance under an "all risk" policy against fire and other risks customarily insured against, and (b) public liability insurance and other insurance as may be required by law or reasonably required by Bank, all of which insurance shall be in amount, form and content, and written by companies as may be satisfactory to

Bank, containing a lender's loss payable endorsement acceptable to Bank. Debtor will deliver to Bank immediately upon demand evidence satisfactory to Bank that the required insurance has been procured. If Debtor fails to maintain satisfactory insurance, Bank has the option (but not the obligation) to do so and Debtor agrees to repay all amounts so expended by Bank immediately upon demand, together with interest at the highest lawful default rate which could be charged by Bank on any Indebtedness.

- 2.7 On each occasion on which Debtor evidences to Bank the account balances on and the nature and extent of the Accounts Receivable, Debtor shall be deemed to have warranted that except as otherwise indicated (a) each of those Accounts Receivable is valid and enforceable without performance by Debtor of any act; (b) each of those account balances are in fact owing, (c) there are no setoffs, recoupments, credits, contra accounts, counterclaims or defenses against any of those Accounts Receivable, (d) as to any Accounts Receivable represented by a note, trade acceptance, draft or other instrument or by any chattel paper or document, the same have been endorsed and/or delivered by Debtor to Bank, (e) Debtor has not received with respect to any Account Receivable, any notice of the death of the related account debtor, nor of the dissolution, liquidation, termination of existence, insolvency, business failure, appointment of a receiver for, assignment for the benefit of creditors by, or filing of a petition in bankruptcy by or against, the account debtor, and (f) as to each Account Receivable, except as may be expressly permitted by Bank to the contrary in another document, the account debtor is not an affiliate of Debtor, the United States of America or any department, agency or instrumentality of it, or a citizen or resident of any jurisdiction outside of the United States. Debtor will do all acts and will execute all writings requested by Bank to perform, enforce performance of, and collect all Accounts Receivable. Debtor shall neither make nor permit any modification, compromise or substitution for any Account Receivable without the prior written consent of Bank. Bank may at any time and from time to time verify Accounts Receivable directly with account debtors or by other methods acceptable to Bank without notifying Debtor. Debtor agrees, at Bank's request, to arrange or cooperate with Bank in arranging for verification of Accounts Receivable.
- 2.8 Debtor at all times shall be in strict compliance with all applicable laws, including without limit any laws, ordinances, directives, orders, statutes, or regulations an object of which is to regulate or improve health, safety, or the environment ("Environmental Laws").
- 2.9 If Bank, acting in its sole discretion, redelivers Collateral to Debtor or Debtor's designee for the purpose of (a) the ultimate sale or exchange thereof; or (b) presentation, collection, renewal, or registration of transfer thereof; or (c) loading, unloading, storing, shipping, transshipping, manufacturing, processing or otherwise dealing with it preliminary to sale or exchange; such redelivery shall be in trust for the benefit of Bank and shall not constitute a release of Bank's security interest in it or in the proceeds or products of it unless Bank specifically so agrees in writing. If Debtor requests any such redelivery, Debtor will deliver with such request a duly executed financing statement in form and substance satisfactory to Bank. Any proceeds of Collateral coming into Debtor's possession as a result of any such redelivery shall be held in trust for Bank and immediately delivered to Bank for application on the Indebtedness. Bank may (in its sole discretion) deliver any or all of the Collateral to Debtor, and such delivery by Bank shall discharge Bank from all liability or responsibility for such Collateral. Bank, at its option, may require delivery of any Collateral to Bank at any time with such endorsements or assignments of the Collateral as Bank may request.
- 2.10 At any time and without notice, Bank may, as to Collateral other than Equipment, Fixtures or Inventory; (a) cause any or all of such Collateral to be transferred to its name or to the name of its nominees; (b) receive or collect by legal proceedings or otherwise all dividends, interest, principal payments and other sums and all other distributions at any time payable or receivable on account of such Collateral, and hold the same as Collateral, or apply the same to the Indebtedness, the manner and distribution of the application to be in the sole discretion of Bank; (c) enter into any extension, subordination, reorganization, deposit, merger or consolidation agreement or any other agreement relating to or affecting such Collateral, and deposit or surrender control of such Collateral, and accept other property in exchange for such Collateral and hold or apply the property or money so received pursuant to this Agreement; and (d) take such actions in its own name or in Debtor's name as Bank, in its sole discretion, deems necessary or appropriate to establish exclusive control (as defined in the Uniform Commercial Code) over any Collateral of such nature that perfection of the Bank's security interest may be accomplished by control.

- 2.11 Bank may assign any of the Indebtedness and deliver any or all of the Collateral to its assignee, who then shall have with respect to Collateral so delivered all the rights and powers of Bank under this Agreement, and after that Bank shall be fully discharged from all liability and responsibility with respect to Collateral so delivered.
- 2.12 Debtor delivers this Agreement based solely on Debtor's independent investigation of (or decision not to investigate) the financial condition of Borrower and is not relying on any information furnished by Bank. Debtor assumes full responsibility for obtaining any further information concerning the Borrower's financial condition, the status of the Indebtedness or any other matter which the undersigned may deem necessary or appropriate now or later. Debtor waives any duty on the part of Bank, and agrees that Debtor is not relying upon nor expecting Bank to disclose to Debtor any fact now or later known by Bank, whether relating to the operations or condition of Borrower, the existence, liabilities or financial condition of any guarantor of the Indebtedness, the occurrence of any default with respect to the Indebtedness, or otherwise, notwithstanding any effect such fact may have upon Debtor's risk or Debtor's rights against Borrower. Debtor knowingly accepts the full range of risk encompassed in this Agreement, which risk includes without limit the possibility that Borrower may incur Indebtedness to Bank after the financial condition of Borrower, or Borrower's ability to pay debts as they mature, has deteriorated.
- 2.13 Debtor shall defend, indemnify and hold harmless Bank, its employees, agents, shareholders, affiliates, officers, and directors from and against any and all claims, damages, fines, expenses, liabilities or causes of action of whatever kind, including without limit consultant fees, legal expenses, and attorneys fees, suffered by any of them as a direct or indirect result of any actual or asserted violation of any law, including, without limit, Environmental Laws, or of any remediation relating to any property required by any law, including without limit Environmental Laws, INCLUDING ANY CLAIMS, DAMAGES, FINES, EXPENSES, LIABILITIES OR CAUSES OF ACTION OF WHATEVER KIND RESULTING FROM BANK'S OWN NEGLIGENCE, except and to the extent (but only to the extent) caused by Bank's gross negligence or willful misconduct.

3. Collection of Proceeds.

- 3.1 Debtor agrees to collect and enforce payment of all Collateral until Bank shall direct Debtor to the contrary. Immediately upon notice to Debtor by Bank and at all times after that, Debtor agrees to fully and promptly cooperate and assist Bank in the collection and enforcement of all Collateral and to hold in trust for Bank all payments received in connection with Collateral and from the sale, lease or other disposition of any Collateral, all rights by way of suretyship or guaranty and all rights in the nature of a lien or security interest which Debtor now or later has regarding Collateral. Immediately upon and after such notice, Debtor agrees to (a) endorse to Bank and immediately deliver to Bank all payments received on Collateral or from the sale, lease or other disposition of any Collateral or arising from any other rights or interests of Debtor in the Collateral, in the form received by Debtor without commingling with any other funds, and (b) immediately deliver to Bank all property in Debtor's possession or later coming into Debtor's possession through enforcement of Debtor's rights or interests in the Collateral. Debtor irrevocably authorizes Bank or any Bank employee or agent to endorse the name of Debtor upon any checks or other items which are received in payment for any Collateral, and to do any and all things necessary in order to reduce these items to money. Bank shall have no duty as to the collection or protection of Collateral or the proceeds of it, nor as to the preservation of any related rights, beyond the use of reasonable care in the custody and preservation of Collateral in the possession of Bank. Debtor agrees to take all steps necessary to preserve rights against prior parties with respect to the Collateral. Nothing in this Section 3.1 shall be deemed a consent by Bank to any sale, lease or other disposition of any Collateral.
- 3.2 Debtor agrees that immediately upon Bank's request (whether or not any Event of Default exists) the Indebtedness shall be on a "remittance basis" in accordance with the following. In connection therewith, Debtor shall at its sole expense establish and maintain (and Bank, at Bank's option may establish and maintain at Debtor's expense):
- (a) A United States Post Office lock box (the "Lock Box"), to which Bank shall have exclusive access and control. Debtor expressly authorizes Bank, from time to time, to remove contents from the Lock Box, for disposition in accordance with this Agreement. Debtor agrees to notify all account debtors and other parties obligated to Debtor that all payments made to Debtor (other than

payments by electronic funds transfer) shall be remitted, for the credit of Debtor, to the Lock Box, and Debtor shall include a like statement on all invoices; and

- (b) A non-interest bearing deposit account with Bank which shall be titled as designated by Bank (the "Cash Collateral Account") to which Bank shall have exclusive access and control. Debtor agrees to notify all account debtors and other parties obligated to Debtor that all payments made to Debtor by electronic funds transfer shall be remitted to the Cash Collateral Account, and Debtor, at Bank's request, shall include a like statement on all invoices. Debtor shall execute all documents and authorizations as required by Bank to establish and maintain the Lock Box and the Cash Collateral Account.

- 3.3 All items or amounts which are remitted to the Lock Box, to the Cash Collateral Account, or otherwise delivered by or for the benefit of Debtor to Bank on account of partial or full payment of, or with respect to, any Collateral shall, at Bank's option, (i) be applied to the payment of the Indebtedness, whether then due or not, in such order or at such time of application as Bank may determine in its sole discretion, or, (ii) be deposited to the Cash Collateral Account. Debtor agrees that Bank shall not be liable for any loss or damage which Debtor may suffer as a result of Bank's processing of items or its exercise of any other rights or remedies under this Agreement, including without limitation indirect, special or consequential damages, loss of revenues or profits, or any claim, demand or action by any third party arising out of or in connection with the processing of items or the exercise of any other rights or remedies under this Agreement. Debtor agrees to indemnify and hold Bank harmless from and against all such third party claims, demands or actions, and all related expenses or liabilities, including, without limitation, attorneys fees and INCLUDING ANY CLAIMS, DAMAGES, FINES, EXPENSES, LIABILITIES OR CAUSES OF ACTION OF WHATEVER KIND RESULTING FROM BANK'S OWN NEGLIGENCE, except and to the extent (but only to the extent) caused by Bank's gross negligence or willful misconduct.

4. Defaults, Enforcement and Application of Proceeds.

- 4.1 Upon the occurrence of any of the following events (each an "Event of Default"), Debtor shall be in default under this Agreement:
 - (a) Any failure to pay the Indebtedness or any other indebtedness when due, or such portion of it as may be due, by acceleration or otherwise; or
 - (b) The occurrence of an Event of Default (as defined in the Amended and Restated Credit Agreement dated September 29, 2014 between Borrower and Bank, as amended or modified from time to time); or
 - (c) An event of default shall occur under any instrument, agreement or other document evidencing, securing or otherwise relating to any of the Indebtedness.
- 4.2 Upon the occurrence of any Event of Default, Bank may at its discretion and without prior notice to Debtor declare any or all of the Indebtedness to be immediately due and payable, and shall have and may exercise any right or remedy available to it including, without limitation, any one or more of the following rights and remedies:
 - (a) Exercise all the rights and remedies upon default, in foreclosure and otherwise, available to secured parties under the provisions of the Uniform Commercial Code and other applicable law;
 - (b) Institute legal proceedings to foreclose upon the lien and security interest granted by this Agreement, to recover judgment for all amounts then due and owing as Indebtedness, and to collect the same out of any Collateral or the proceeds of any sale of it;
 - (c) Institute legal proceedings for the sale, under the judgment or decree of any court of competent jurisdiction, of any or all Collateral; and/or
 - (d) Personally or by agents, attorneys, or appointment of a receiver, enter upon any premises where Collateral may then be located, and take possession of all or any of it and/or render it unusable; and without being responsible for loss or damage to such Collateral, hold, operate, sell, lease, or

dispose of all or any Collateral at one or more public or private sales, leaseings or other dispositions, at places and times and on terms and conditions as Bank may deem fit, without any previous demand or advertisement; and except as provided in this Agreement, all notice of sale, lease or other disposition, and advertisement, and other notice or demand, any right or equity of redemption, and any obligation of a prospective purchaser or lessee to inquire as to the power and authority of Bank to sell, lease, or otherwise dispose of the Collateral or as to the application by Bank of the proceeds of sale or otherwise, which would otherwise be required by, or available to Debtor under, applicable law are expressly waived by Debtor to the fullest extent permitted.

At any sale pursuant to this Section 4.2, whether under the power of sale, by virtue of judicial proceedings or otherwise, it shall not be necessary for Bank or a public officer under order of a court to have present physical or constructive possession of Collateral to be sold. The recitals contained in any conveyances and receipts made and given by Bank or the public officer to any purchaser at any sale made pursuant to this Agreement shall, to the extent permitted by applicable law, conclusively establish the truth and accuracy of the matters stated (including, without limit, as to the amounts of the principal of and interest on the Indebtedness, the accrual and nonpayment of it and advertisement and conduct of the sale); and all prerequisites to the sale shall be presumed to have been satisfied and performed. Upon any sale of any Collateral, the receipt of the officer making the sale under judicial proceedings or of Bank shall be sufficient discharge to the purchaser for the purchase money, and the purchaser shall not be obligated to see to the application of the money. Any sale of any Collateral under this Agreement shall be a perpetual bar against Debtor with respect to that Collateral. At any sale or other disposition of the Collateral pursuant to this Section 4.2, Bank disclaims all warranties which would otherwise be given under the Uniform Commercial Code, including without limit a disclaimer of any warranty relating to title, possession, quiet enjoyment or the like, and Bank may communicate these disclaimers to a purchaser at such disposition. This disclaimer of warranties will not render the sale commercially unreasonable.

- 4.3 Debtor shall at the request of Bank, notify the account debtors or obligors of Bank's security interest in the Collateral and direct payment of it to Bank. Bank may, itself, upon the occurrence of any Event of Default so notify and direct any account debtor or obligor. At the request of Bank, whether or not an Event of Default shall have occurred, Debtor shall immediately take such actions as the Bank shall request to establish exclusive control (as defined in the Uniform Commercial Code) by Bank over any Collateral which is of such a nature that perfection of a security interest may be accomplished by control.
- 4.4 The proceeds of any sale or other disposition of Collateral authorized by this Agreement shall be applied by Bank first upon all expenses authorized by the Uniform Commercial Code and all reasonable attorneys fees and legal expenses incurred by Bank; the balance of the proceeds of the sale or other disposition shall be applied in the payment of the Indebtedness, first to interest, then to principal, then to remaining Indebtedness and the surplus, if any, shall be paid over to Debtor or to such other person(s) as may be entitled to it under applicable law. Debtor shall remain liable for any deficiency, which it shall pay to Bank immediately upon demand. Debtor agrees that Bank shall be under no obligation to accept any noncash proceeds in connection with any sale or disposition of Collateral unless failure to do so would be commercially unreasonable. If Bank agrees in its sole discretion to accept noncash proceeds (unless the failure to do so would be commercially unreasonable), Bank may ascribe any commercially reasonable value to such proceeds. Without limiting the foregoing, Bank may apply any discount factor in determining the present value of proceeds to be received in the future or may elect to apply proceeds to be received in the future only as and when such proceeds are actually received in cash by Bank.
- 4.5 Nothing in this Agreement is intended, nor shall it be construed, to preclude Bank from pursuing any other remedy provided by law or in equity for the collection of the Indebtedness or for the recovery of any other sum to which Bank may be entitled for the breach of this Agreement by Debtor. Nothing in this Agreement shall reduce or release in any way any rights or security interests of Bank contained in any existing agreement between Borrower, Debtor, or any Guarantor and Bank.
- 4.6 No waiver of default or consent to any act by Debtor shall be effective unless in writing and signed by an authorized officer of Bank. No waiver of any default or forbearance on the part of Bank in enforcing any of its rights under this Agreement shall operate as a waiver of any other default or of the same default on a future occasion or of any rights.

- 4.7 Debtor (a) irrevocably appoints Bank or any agent of Bank (which appointment is coupled with an interest) the true and lawful attorney of Debtor (with full power of substitution) to act in the name, place and stead of, and at the expense of, Debtor and (b) authorizes Bank or any agent of Bank, in its own name, at Debtor's expense, to do any of the following, as Bank, in its sole discretion, deems appropriate:
- (i) to demand, receive, sue for, and give receipts or acquittances for any moneys due or to become due on any Collateral and to endorse any item representing any payment on or proceeds of the Collateral;
 - (ii) to execute and file in the name of and on behalf of Debtor all financing statements or other filings deemed necessary or desirable by Bank to evidence, perfect, or continue the security interests granted in this Agreement; and
 - (iii) to do and perform any act on behalf of Debtor permitted or required under this Agreement.
- 4.8 Upon the occurrence of an Event of Default, Debtor also agrees, upon request of Bank, to assemble the Collateral and make it available to Bank at any place designated by Bank which is reasonably convenient to Bank and Debtor.
- 4.9 The following shall be the basis for any finder of fact's determination of the value of any Collateral which is the subject matter of a disposition giving rise to a calculation of any surplus or deficiency under Section 9-615 (f) of the Uniform Commercial Code (as in effect on or after July 1, 2001): (a) the Collateral which is the subject matter of the disposition shall be valued in an "as is" condition as of the date of the disposition, without any assumption or expectation that such Collateral will be repaired or improved in any manner; (b) the valuation shall be based upon an assumption that the transferee of such Collateral desires a resale of the Collateral for cash promptly (but no later than 30 days) following the disposition; (c) all reasonable closing costs customarily borne by the seller in commercial sales transactions relating to property similar to such Collateral shall be deducted including, without limitation, brokerage commissions, tax prorations, attorneys' fees, whether inside or outside counsel is used, and marketing costs; (d) the value of the Collateral which is the subject matter of the disposition shall be further discounted to account for any estimated holding costs associated with maintaining such Collateral pending sale (to the extent not accounted for in (c) above), and other maintenance, operational and ownership expenses; and (e) any expert opinion testimony given or considered in connection with a determination of the value of such Collateral must be given by persons having at least 5 years experience in appraising property similar to the Collateral and who have conducted and prepared a complete written appraisal of such Collateral taking into consideration the factors set forth above. The "value" of any such Collateral shall be a factor in determining the amount of proceeds which would have been realized in a disposition to a transferee other than a secured party, a person related to a secured party or a secondary obligor under Section 9-615(f) of the Uniform Commercial Code.

5. Miscellaneous.

- 5.1 Until Bank is advised in writing by Debtor to the contrary, all notices, requests and demands required under this Agreement or by law shall be given to, or made upon, Debtor at the following address:

550 W. Merrill Street, Suite #200

STREET ADDRESS

<u>Birmingham</u>	<u>Michigan</u>	<u>48009</u>	<u>Oakland</u>
CITY	STATE	ZIP CODE	COUNTY

- 5.2 Debtor will give Bank not less than 90 days prior written notice of all contemplated changes in Debtor's name, location, chief executive office, principal place of business, and/or location of any Collateral, but the giving of this notice shall not cure any Event of Default caused by this change.
- 5.3 Bank assumes no duty of performance or other responsibility under any contracts contained within the Collateral.

- 5.4 Bank has the right to sell, assign, transfer, negotiate or grant participations or any interest in, any or all of the Indebtedness and any related obligations, including without limit this Agreement. In connection with the above, but without limiting its ability to make other disclosures to the full extent allowable, Bank may disclose all documents and information which Bank now or later has relating to Debtor, the Indebtedness or this Agreement, however obtained. Debtor further agrees that Bank may provide information relating to this Agreement or relating to Debtor or the Indebtedness to the Bank's parent, affiliates, subsidiaries, and service providers.
- 5.5 In addition to Bank's other rights, any indebtedness owing from Bank to Debtor can be set off and applied by Bank on any Indebtedness at any time(s) either before or after maturity or demand without notice to anyone. Any such action shall not constitute acceptance of collateral in discharge of any portion of the Indebtedness.
- 5.6 Debtor, to the extent not expressly prohibited by applicable law, waives any right to require the Bank to: (a) proceed against any person or property; (b) give notice of the terms, time and place of any public or private sale of personal property security held from Borrower or Debtor or any other person, or otherwise comply with the provisions of Section 9-504 of the Uniform Commercial Code in effect prior to July 1, 2001 or its successor provisions thereafter; or (c) pursue any other remedy in the Bank's power. Debtor waives notice of acceptance of this Agreement and presentment, demand, protest, notice of protest, dishonor, notice of dishonor, notice of default, notice of intent to accelerate or demand payment of any Indebtedness, any and all other notices to which the undersigned might otherwise be entitled, and diligence in collecting any Indebtedness, and agree(s) that the Bank may, once or any number of times, modify the terms of any Indebtedness, compromise, extend, increase, accelerate, renew or forbear to enforce payment of any or all Indebtedness, or permit Borrower to incur additional Indebtedness, all without notice to Debtor and without affecting in any manner the unconditional obligation of Debtor under this Agreement. Debtor unconditionally and irrevocably waives each and every defense and setoff of any nature which, under principles of guaranty or otherwise, would operate to impair or diminish in any way the obligation of Debtor under this Agreement, and acknowledges that such waiver is by this reference incorporated into each security agreement, collateral assignment, pledge and/or other document from Debtor now or later securing the Indebtedness, and acknowledges that as of the date of this Agreement no such defense or setoff exists.
- 5.7 Debtor waives any and all rights (whether by subrogation, indemnity, reimbursement, or otherwise) to recover from Borrower any amounts paid or the value of any Collateral given by Debtor pursuant to this Agreement until such times as all of the Indebtedness has been fully paid.
- 5.8 In the event that applicable law shall obligate Bank to give prior notice to Debtor of any action to be taken under this Agreement, Debtor agrees that a written notice given to Debtor at least ten days before the date of the act shall be reasonable notice of the act and, specifically, reasonable notification of the time and place of any public sale or of the time after which any private sale, lease, or other disposition is to be made, unless a shorter notice period is reasonable under the circumstances. A notice shall be deemed to be given under this Agreement when delivered to Debtor or when placed in an envelope addressed to Debtor and deposited, with postage prepaid, in a post office or official depository under the exclusive care and custody of the United States Postal Service or delivered to an overnight courier. The mailing shall be by overnight courier, certified, or first class mail.
- 5.9 Notwithstanding any prior revocation, termination, surrender, or discharge of this Agreement in whole or in part, the effectiveness of this Agreement shall automatically continue or be reinstated in the event that any payment received or credit given by Bank in respect of the Indebtedness is returned, disgorged, or rescinded under any applicable law, including, without limitation, bankruptcy or insolvency laws, in which case this Agreement, shall be enforceable against Debtor as if the returned, disgorged, or rescinded payment or credit had not been received or given by Bank, and whether or not Bank relied upon this payment or credit or changed its position as a consequence of it. In the event of continuation or reinstatement of this Agreement, Debtor agrees upon demand by Bank to execute and deliver to Bank those documents which Bank determines are appropriate to further evidence (in the public records or otherwise) this continuation or reinstatement, although the failure of Debtor to do so shall not affect in any way the reinstatement or continuation.

- 5.10 This Agreement and all the rights and remedies of Bank under this Agreement shall inure to the benefit of Bank's successors and assigns and to any other holder who derives from Bank title to or an interest in the Indebtedness or any portion of it, and shall bind Debtor and the heirs, legal representatives, successors, and assigns of Debtor. Nothing in this Section 5.10 is deemed a consent by Bank to any assignment by Debtor.
- 5.11 If there is more than one Debtor, all undertakings, warranties and covenants made by Debtor and all rights, powers and authorities given to or conferred upon Bank are made or given jointly and severally.
- 5.12 Except as otherwise provided in this Agreement, all terms in this Agreement have the meanings assigned to them in Article 9 (or, absent definition in Article 9, in any other Article) of the Uniform Commercial Code, as those meanings may be amended, revised or replaced from time to time. "Uniform Commercial Code" means Act No. 174 of the Michigan Public Acts of 1962, as amended, revised or replaced from time to time, including without limit as amended by Act No. 348 of the Michigan Public Acts of 2000. Notwithstanding the foregoing, the parties intend that the terms used herein which are defined in the Uniform Commercial Code have, at all times, the broadest and most inclusive meanings possible. Accordingly, if the Uniform Commercial Code shall in the future be amended or held by a court to define any term used herein more broadly or inclusively than the Uniform Commercial Code in effect on the date of this Agreement, then such term, as used herein, shall be given such broadened meaning. If the Uniform Commercial Code shall in the future be amended or held by a court to define any term used herein more narrowly, or less inclusively, than the Uniform Commercial Code in effect on the date of this Agreement, such amendment or holding shall be disregarded in defining terms used in this Agreement.
- 5.13 No single or partial exercise, or delay in the exercise, of any right or power under this Agreement, shall preclude other or further exercise of the rights and powers under this Agreement. The unenforceability of any provision of this Agreement shall not affect the enforceability of the remainder of this Agreement. This Agreement constitutes the entire agreement of Debtor and Bank with respect to the subject matter of this Agreement. No amendment or modification of this Agreement shall be effective unless the same shall be in writing and signed by Debtor and an authorized officer of Bank. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF MICHIGAN, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.
- 5.14 To the extent that any of the Indebtedness is payable upon demand, nothing contained in this Agreement shall modify the terms and conditions of that Indebtedness nor shall anything contained in this Agreement prevent Bank from making demand, without notice and with or without reason, for immediate payment of any or all of that Indebtedness at any time(s), whether or not an Event of Default has occurred.
- 5.15 Debtor represents and warrants that Debtor's exact name is the name set forth in this Agreement. Debtor further represents and warrants the following and agrees that Debtor is, and at all times shall be, located in the following place:
- Debtor is an individual, and Debtor is located (as determined pursuant to the Uniform Commercial Code) at Debtor's principal residence which is (street address, state and county or parish): _____
- Debtor is a registered organization which is organized under the laws of one of the states comprising the United States (e.g. corporation, limited partnership, registered limited liability partnership or limited liability company), and Debtor is located (as determined pursuant to the Uniform Commercial Code) in the state under the laws of which it was organized, which is state: Michigan.
- Debtor is a domestic organization which is not a registered organization under the laws of the United States or any state thereof (e.g. general partnership, joint venture, trust, estate or association), and Debtor is located (as determined pursuant to the Uniform Commercial Code) at its sole place of business or, if it has more than one place of business, at its chief executive office, which is (street address, state and county or parish): _____
- Debtor is a registered organization organized under the laws of the United States, and Debtor is located in the state that United States law designates as its location or, if United States law

authorizes the Debtor to designate the state for its location, the state designated by Debtor, or if neither of the foregoing are applicable, at the District of Columbia. Based on the foregoing, Debtor is located (as determined pursuant to the Uniform Commercial Code) at (state):_____.

- Debtor is a foreign individual or foreign organization or a branch or agency of a bank that is not organized under the laws of the United States or a state thereof. Debtor is located (as determined pursuant to the Uniform Commercial Code) at (street address, state and county or parish):_____.

The Collateral is located at and shall be maintained at the following location(s):

550 W. Merrill Street, Suite #200
STREET ADDRESS

<u>Birmingham</u>	<u>Michigan</u>	<u>48009</u>	<u>Oakland</u>
CITY	STATE	ZIP CODE	COUNTY

Collateral shall be maintained only at the locations identified in this Section 5.15.

- 5.16 A carbon, photographic or other reproduction of this Agreement shall be sufficient as a financing statement under the Uniform Commercial Code and may be filed by Bank in any filing office.
- 5.17 This Agreement shall be terminated only by the filing of a termination statement in accordance with the applicable provisions of the Uniform Commercial Code, but the obligations contained in Section 2.13 of this Agreement shall survive termination.
- 5.18 Debtor agrees to reimburse the Bank upon demand for any and all costs and expenses (including, without limit, court costs, legal expenses and reasonable attorneys fees, whether inside or outside counsel is used, whether or not suit is instituted and, if suit is instituted, whether at the trial court level, appellate level, in a bankruptcy, probate or administrative proceeding or otherwise) incurred in enforcing or attempting to enforce this Agreement or in exercising or attempting to exercise any right or remedy under this Agreement or incurred in any other matter or proceeding relating to this Security Agreement.
6. **DEBTOR AND BANK ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED. EACH PARTY, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THEIR MUTUAL BENEFIT WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS AGREEMENT OR THE INDEBTEDNESS.**

7. Special Provisions Applicable to this Agreement. (*None, if left blank)

Debtor:

SYCAMORE INSURANCE AGENCY, INC.

By: 
SIGNATURE OF Brian V. Porey

Its: Treasurer
TITLE (If applicable)

By: _____
SIGNATURE OF

Its: _____
TITLE (If applicable)



Security Agreement (6) ACA
 (All Assets)

As of November 29, 2016, for value received, the undersigned ("Debtor") pledges, assigns and grants to Comerica Bank ("Bank"), whose address is 39200 Six Mile Road, Livonia, Michigan 48152, Attention: Commercial Loan Documentation, Mail Code 7578, a continuing security interest and lien (any pledge, assignment, security interest or other lien arising hereunder is sometimes referred to herein as a "security interest") in the Collateral (as defined below) to secure payment when due, whether by stated maturity, demand, acceleration or otherwise, of all existing and future indebtedness ("Indebtedness") to the Bank of Conifer Holdings, Inc., a Michigan corporation

(Borrower) and/or Debtor. Indebtedness includes without limit any and all obligations or liabilities of the Borrower and/or Debtor to the Bank, whether absolute or contingent, direct or indirect, voluntary or involuntary, liquidated or unliquidated, joint or several, known or unknown; any and all obligations or liabilities for which the Borrower and/or Debtor would otherwise be liable to the Bank were it not for the invalidity or unenforceability of them by reason of any bankruptcy, insolvency or other law, or for any other reason; any and all amendments, modifications, renewals and/or extensions of any of the above; all costs incurred by Bank in establishing, determining, continuing, or defending the validity or priority of its security interest, or in pursuing its rights and remedies under this Agreement or under any other agreement between Bank and Borrower and/or Debtor or in connection with any proceeding involving Bank as a result of any financial accommodation to Borrower and/or Debtor; and all other costs of collecting Indebtedness, including without limit attorneys fees. Debtor agrees to pay Bank all such costs incurred by the Bank, immediately upon demand, and until paid all costs shall bear interest at the highest per annum rate applicable to any of the Indebtedness, but not in excess of the maximum rate permitted by law. Any reference in this Agreement to attorneys fees shall be deemed a reference to reasonable fees, costs, and expenses of both in-house and outside counsel and paralegals, whether inside or outside counsel is used, whether or not a suit or action is instituted, and to court costs if a suit or action is instituted, and whether attorneys fees or court costs are incurred at the trial court level, on appeal, in a bankruptcy, administrative or probate proceeding or otherwise. Debtor further covenants, agrees, represents and warrants as follows:

1. **Collateral** shall mean all personal property of Debtor including, without limitation, all of the following property Debtor now or later owns or has an interest in, wherever located:

- all Accounts Receivable (for purposes of this Agreement, "Accounts Receivable" consists of all accounts, general intangibles, chattel paper (including without limit electronic chattel paper and tangible chattel paper), contract rights, deposit accounts, documents, instruments and rights to payment evidenced by chattel paper, documents or instruments, health care insurance receivables; commercial tort claims, letters of credit, letter of credit rights, supporting obligations, and rights to payment for money or funds advanced or sold),
- all Inventory,
- all Equipment and Fixtures,
- all Software (for purposes of this Agreement, "Software" consists of all (i) computer programs and supporting information provided in connection with a transaction relating to the program, and (ii) computer programs embedded in goods and any supporting information provided in connection with a transaction relating to the program whether or not the program is associated with the goods in such a manner that it customarily is considered part of the goods, and whether or not, by becoming the owner of the goods, a person acquires a right to use the program in connection with the goods, and whether or not the program is embedded in goods that consist solely of the medium in which the program is embedded),
- all investment property (including, without limit, securities, securities entitlements, and financial assets),
- specific items listed below and/or on attached Schedule A, if any, is/are also included in Collateral:

- all goods, instruments, (including, without limit, promissory notes), documents (including, without limit, negotiable documents), policies and certificates of insurance, deposit accounts, and money or other property (except real property which is not a fixture) which are now or later in possession of Bank, or as to which Bank now or later controls possession by documents or otherwise, and
- all additions, attachments, accessions, parts, replacements, substitutions, renewals, interest, dividends, distributions, rights of any kind (including but not limited to stock splits, stock rights, voting and preferential rights), products, and proceeds of or pertaining to the above including, without limit, cash or other property which were proceeds and are recovered by a bankruptcy trustee or otherwise as a preferential transfer by Debtor.

In the definition of Collateral, a reference to a type of collateral shall not be limited by a separate reference to a more specific or narrower type of that collateral.

2. **Warranties, Covenants and Agreements.** Debtor warrants, covenants and agrees as follows:

- 2.1 Debtor shall furnish to Bank, in form and at intervals as Bank may request, any information Bank may reasonably request and allow Bank to examine, inspect, and copy any of Debtor's books and records. Debtor shall, at the request of Bank, mark its records and the Collateral to clearly indicate the security interest of Bank under this Agreement.
- 2.2 At the time any Collateral becomes, or is represented to be, subject to a security interest in favor of Bank, Debtor shall be deemed to have warranted that (a) Debtor is the lawful owner of the Collateral and has the right and authority to subject it to a security interest granted to Bank; (b) none of the Collateral is subject to any security interest other than that in favor of Bank and security interests permitted under the Amended and Restated Credit Agreement dated September 29, 2014 between Borrower and Bank ("Permitted Liens"); (c) there are no financing statements on file, other than in favor of Bank and those filed with respect to Permitted Liens; (d) no person, other than Bank, has possession or control (as defined in the Uniform Commercial Code) of any Collateral of such nature that perfection of a security interest may be accomplished by control; and (e) Debtor acquired its rights in the Collateral in the ordinary course of its business.
- 2.3 Debtor will keep the Collateral free at all times from all claims, liens, security interests and encumbrances other than those in favor of Bank and Permitted Liens. Debtor will not, without the prior written consent of Bank, sell, transfer or lease, or permit to be sold, transferred or leased, any or all of the Collateral, except (where inventory is pledged as Collateral) for Inventory in the ordinary course of its business and will not return any Inventory to its supplier. Bank or its representatives may at all reasonable times inspect the Collateral and may enter upon all premises where the Collateral is kept or might be located.
- 2.4 Debtor will do all acts and will execute or cause to be executed all writings requested by Bank to establish, maintain and continue an exclusive, perfected and first security interest of Bank in the Collateral. Debtor agrees that Bank has no obligation to acquire or perfect any lien on or security interest in any asset(s), whether realty or personalty, to secure payment of the Indebtedness, and Debtor is not relying upon assets in which the Bank may have a lien or security interest for payment of the Indebtedness.
- 2.5 Debtor will pay within the time that they can be paid without interest or penalty all taxes, assessments and similar charges which at any time are or may become a lien, charge, or encumbrance upon any Collateral, except to the extent contested in good faith and bonded in a manner satisfactory to Bank. If Debtor fails to pay any of these taxes, assessments, or other charges in the time provided above, Bank has the option (but not the obligation) to do so and Debtor agrees to repay all amounts so expended by Bank immediately upon demand, together with interest at the highest lawful default rate which could be charged by Bank on any Indebtedness.
- 2.6 Debtor will keep the Collateral in good condition and will protect it from loss, damage, or deterioration from any cause. Debtor has and will maintain at all times (a) with respect to the Collateral, insurance under an "all risk" policy against fire and other risks customarily insured against, and (b) public liability insurance and other insurance as may be required by law or reasonably required by Bank, all of which insurance shall be in amount, form and content, and written by companies as may be satisfactory to

Bank, containing a lender's loss payable endorsement acceptable to Bank. Debtor will deliver to Bank immediately upon demand evidence satisfactory to Bank that the required insurance has been procured. If Debtor fails to maintain satisfactory insurance, Bank has the option (but not the obligation) to do so and Debtor agrees to repay all amounts so expended by Bank immediately upon demand, together with interest at the highest lawful default rate which could be charged by Bank on any Indebtedness.

- 2.7 On each occasion on which Debtor evidences to Bank the account balances on and the nature and extent of the Accounts Receivable, Debtor shall be deemed to have warranted that except as otherwise indicated (a) each of those Accounts Receivable is valid and enforceable without performance by Debtor of any act; (b) each of those account balances are in fact owing; (c) there are no setoffs, recoupments, credits, contra accounts, counterclaims or defenses against any of those Accounts Receivable; (d) as to any Accounts Receivable represented by a note, trade acceptance, draft or other instrument or by any chattel paper or document, the same have been endorsed and/or delivered by Debtor to Bank; (e) Debtor has not received with respect to any Account Receivable, any notice of the death of the related account debtor, nor of the dissolution, liquidation, termination of existence, insolvency, business failure, appointment of a receiver for, assignment for the benefit of creditors by, or filing of a petition in bankruptcy by or against, the account debtor; and (f) as to each Account Receivable, except as may be expressly permitted by Bank to the contrary in another document, the account debtor is not an affiliate of Debtor, the United States of America or any department, agency or instrumentality of it, or a citizen or resident of any jurisdiction outside of the United States. Debtor will do all acts and will execute all writings requested by Bank to perform, enforce performance of, and collect all Accounts Receivable. Debtor shall neither make nor permit any modification, compromise or substitution for any Account Receivable without the prior written consent of Bank. Bank may at any time and from time to time verify Accounts Receivable directly with account debtors or by other methods acceptable to Bank without notifying Debtor. Debtor agrees, at Bank's request, to arrange or cooperate with Bank in arranging for verification of Accounts Receivable.
- 2.8 Debtor at all times shall be in strict compliance with all applicable laws, including without limit any laws, ordinances, directives, orders, statutes, or regulations an object of which is to regulate or improve health, safety, or the environment ("Environmental Laws").
- 2.9 If Bank, acting in its sole discretion, redelivers Collateral to Debtor or Debtor's designee for the purpose of (a) the ultimate sale or exchange thereof; or (b) presentation, collection, renewal, or registration of transfer thereof; or (c) loading, unloading, storing, shipping, transshipping, manufacturing, processing or otherwise dealing with it preliminary to sale or exchange; such redelivery shall be in trust for the benefit of Bank and shall not constitute a release of Bank's security interest in it or in the proceeds or products of it unless Bank specifically so agrees in writing. If Debtor requests any such redelivery, Debtor will deliver with such request a duly executed financing statement in form and substance satisfactory to Bank. Any proceeds of Collateral coming into Debtor's possession as a result of any such redelivery shall be held in trust for Bank and immediately delivered to Bank for application on the Indebtedness. Bank may (in its sole discretion) deliver any or all of the Collateral to Debtor, and such delivery by Bank shall discharge Bank from all liability or responsibility for such Collateral. Bank, at its option, may require delivery of any Collateral to Bank at any time with such endorsements or assignments of the Collateral as Bank may request.
- 2.10 At any time and without notice, Bank may, as to Collateral other than Equipment, Fixtures or Inventory; (a) cause any or all of such Collateral to be transferred to its name or to the name of its nominees; (b) receive or collect by legal proceedings or otherwise all dividends, interest, principal payments and other sums and all other distributions at any time payable or receivable on account of such Collateral, and hold the same as Collateral, or apply the same to the Indebtedness, the manner and distribution of the application to be in the sole discretion of Bank; (c) enter into any extension, subordination, reorganization, deposit, merger or consolidation agreement or any other agreement relating to or affecting such Collateral, and deposit or surrender control of such Collateral, and accept other property in exchange for such Collateral and hold or apply the property or money so received pursuant to this Agreement; and (d) take such actions in its own name or in Debtor's name as Bank, in its sole discretion, deems necessary or appropriate to establish exclusive control (as defined in the Uniform Commercial Code) over any Collateral of such nature that perfection of the Bank's security interest may be accomplished by control.

- 2.11 Bank may assign any of the Indebtedness and deliver any or all of the Collateral to its assignee, who then shall have with respect to Collateral so delivered all the rights and powers of Bank under this Agreement, and after that Bank shall be fully discharged from all liability and responsibility with respect to Collateral so delivered.
- 2.12 Debtor delivers this Agreement based solely on Debtor's independent investigation of (or decision not to investigate) the financial condition of Borrower and is not relying on any information furnished by Bank. Debtor assumes full responsibility for obtaining any further information concerning the Borrower's financial condition, the status of the Indebtedness or any other matter which the undersigned may deem necessary or appropriate now or later. Debtor waives any duty on the part of Bank, and agrees that Debtor is not relying upon nor expecting Bank to disclose to Debtor any fact now or later known by Bank, whether relating to the operations or condition of Borrower, the existence, liabilities or financial condition of any guarantor of the Indebtedness, the occurrence of any default with respect to the Indebtedness, or otherwise, notwithstanding any effect such fact may have upon Debtor's risk or Debtor's rights against Borrower. Debtor knowingly accepts the full range of risk encompassed in this Agreement, which risk includes without limit the possibility that Borrower may incur Indebtedness to Bank after the financial condition of Borrower, or Borrower's ability to pay debts as they mature, has deteriorated.
- 2.13 Debtor shall defend, indemnify and hold harmless Bank, its employees, agents, shareholders, affiliates, officers, and directors from and against any and all claims, damages, fines, expenses, liabilities or causes of action of whatever kind, including without limit consultant fees, legal expenses, and attorneys fees, suffered by any of them as a direct or indirect result of any actual or asserted violation of any law, including, without limit, Environmental Laws, or of any remediation relating to any property required by any law, including without limit Environmental Laws, INCLUDING ANY CLAIMS, DAMAGES, FINES, EXPENSES, LIABILITIES OR CAUSES OF ACTION OF WHATEVER KIND RESULTING FROM BANK'S OWN NEGLIGENCE, except and to the extent (but only to the extent) caused by Bank's gross negligence or willful misconduct.

3. Collection of Proceeds.

- 3.1 Debtor agrees to collect and enforce payment of all Collateral until Bank shall direct Debtor to the contrary. Immediately upon notice to Debtor by Bank and at all times after that, Debtor agrees to fully and promptly cooperate and assist Bank in the collection and enforcement of all Collateral and to hold in trust for Bank all payments received in connection with Collateral and from the sale, lease or other disposition of any Collateral, all rights by way of suretyship or guaranty and all rights in the nature of a lien or security interest which Debtor now or later has regarding Collateral. Immediately upon and after such notice, Debtor agrees to (a) endorse to Bank and immediately deliver to Bank all payments received on Collateral or from the sale, lease or other disposition of any Collateral or arising from any other rights or interests of Debtor in the Collateral, in the form received by Debtor without commingling with any other funds, and (b) immediately deliver to Bank all property in Debtor's possession or later coming into Debtor's possession through enforcement of Debtor's rights or interests in the Collateral. Debtor irrevocably authorizes Bank or any Bank employee or agent to endorse the name of Debtor upon any checks or other items which are received in payment for any Collateral, and to do any and all things necessary in order to reduce these items to money. Bank shall have no duty as to the collection or protection of Collateral or the proceeds of it, nor as to the preservation of any related rights, beyond the use of reasonable care in the custody and preservation of Collateral in the possession of Bank. Debtor agrees to take all steps necessary to preserve rights against prior parties with respect to the Collateral. Nothing in this Section 3.1 shall be deemed a consent by Bank to any sale, lease or other disposition of any Collateral.
- 3.2 Debtor agrees that immediately upon Bank's request (whether or not any Event of Default exists) the Indebtedness shall be on a "remittance basis" in accordance with the following. In connection therewith, Debtor shall at its sole expense establish and maintain (and Bank, at Bank's option may establish and maintain at Debtor's expense):
- (a) A United States Post Office lock box (the "Lock Box"), to which Bank shall have exclusive access and control. Debtor expressly authorizes Bank, from time to time, to remove contents from the Lock Box, for disposition in accordance with this Agreement. Debtor agrees to notify all account debtors and other parties obligated to Debtor that all payments made to Debtor (other than

payments by electronic funds transfer) shall be remitted, for the credit of Debtor, to the Lock Box, and Debtor shall include a like statement on all invoices; and

- (b) A non-interest bearing deposit account with Bank which shall be titled as designated by Bank (the "Cash Collateral Account") to which Bank shall have exclusive access and control. Debtor agrees to notify all account debtors and other parties obligated to Debtor that all payments made to Debtor by electronic funds transfer shall be remitted to the Cash Collateral Account, and Debtor, at Bank's request, shall include a like statement on all invoices. Debtor shall execute all documents and authorizations as required by Bank to establish and maintain the Lock Box and the Cash Collateral Account.

- 3.3 All items or amounts which are remitted to the Lock Box, to the Cash Collateral Account, or otherwise delivered by or for the benefit of Debtor to Bank on account of partial or full payment of, or with respect to, any Collateral shall, at Bank's option, (i) be applied to the payment of the Indebtedness, whether then due or not, in such order or at such time of application as Bank may determine in its sole discretion, or, (ii) be deposited to the Cash Collateral Account. Debtor agrees that Bank shall not be liable for any loss or damage which Debtor may suffer as a result of Bank's processing of items or its exercise of any other rights or remedies under this Agreement, including without limitation indirect, special or consequential damages, loss of revenues or profits, or any claim, demand or action by any third party arising out of or in connection with the processing of items or the exercise of any other rights or remedies under this Agreement. Debtor agrees to indemnify and hold Bank harmless from and against all such third party claims, demands or actions, and all related expenses or liabilities, including, without limitation, attorneys fees and INCLUDING ANY CLAIMS, DAMAGES, FINES, EXPENSES, LIABILITIES OR CAUSES OF ACTION OF WHATEVER KIND RESULTING FROM BANK'S OWN NEGLIGENCE, except and to the extent (but only to the extent) caused by Bank's gross negligence or willful misconduct.

4. Defaults, Enforcement and Application of Proceeds.

- 4.1 Upon the occurrence of any of the following events (each an "Event of Default"), Debtor shall be in default under this Agreement:
- (a) Any failure to pay the Indebtedness or any other indebtedness when due, or such portion of it as may be due, by acceleration or otherwise; or
 - (b) The occurrence of an Event of Default (as defined in the Amended and Restated Credit Agreement dated September 29, 2014 between Borrower and Bank, as amended or modified from time to time); or
 - (c) An event of default shall occur under any instrument, agreement or other document evidencing, securing or otherwise relating to any of the Indebtedness.
- 4.2 Upon the occurrence of any Event of Default, Bank may at its discretion and without prior notice to Debtor declare any or all of the Indebtedness to be immediately due and payable, and shall have and may exercise any right or remedy available to it including, without limitation, any one or more of the following rights and remedies:
- (a) Exercise all the rights and remedies upon default, in foreclosure and otherwise, available to secured parties under the provisions of the Uniform Commercial Code and other applicable law;
 - (b) Institute legal proceedings to foreclose upon the lien and security interest granted by this Agreement, to recover judgment for all amounts then due and owing as Indebtedness, and to collect the same out of any Collateral or the proceeds of any sale of it;
 - (c) Institute legal proceedings for the sale, under the judgment or decree of any court of competent jurisdiction, of any or all Collateral; and/or
 - (d) Personally or by agents, attorneys, or appointment of a receiver, enter upon any premises where Collateral may then be located, and take possession of all or any of it and/or render it unusable; and without being responsible for loss or damage to such Collateral, hold, operate, sell, lease, or

dispose of all or any Collateral at one or more public or private sales, leaseings or other dispositions, at places and times and on terms and conditions as Bank may deem fit, without any previous demand or advertisement; and except as provided in this Agreement, all notice of sale, lease or other disposition, and advertisement, and other notice or demand, any right or equity of redemption, and any obligation of a prospective purchaser or lessee to inquire as to the power and authority of Bank to sell, lease, or otherwise dispose of the Collateral or as to the application by Bank of the proceeds of sale or otherwise, which would otherwise be required by, or available to Debtor under, applicable law are expressly waived by Debtor to the fullest extent permitted.

At any sale pursuant to this Section 4.2, whether under the power of sale, by virtue of judicial proceedings or otherwise, it shall not be necessary for Bank or a public officer under order of a court to have present physical or constructive possession of Collateral to be sold. The recitals contained in any conveyances and receipts made and given by Bank or the public officer to any purchaser at any sale made pursuant to this Agreement shall, to the extent permitted by applicable law, conclusively establish the truth and accuracy of the matters stated (including, without limit, as to the amounts of the principal of and interest on the Indebtedness, the accrual and nonpayment of it and advertisement and conduct of the sale); and all prerequisites to the sale shall be presumed to have been satisfied and performed. Upon any sale of any Collateral, the receipt of the officer making the sale under judicial proceedings or of Bank shall be sufficient discharge to the purchaser for the purchase money, and the purchaser shall not be obligated to see to the application of the money. Any sale of any Collateral under this Agreement shall be a perpetual bar against Debtor with respect to that Collateral. At any sale or other disposition of the Collateral pursuant to this Section 4.2, Bank disclaims all warranties which would otherwise be given under the Uniform Commercial Code, including without limit a disclaimer of any warranty relating to title, possession, quiet enjoyment or the like, and Bank may communicate these disclaimers to a purchaser at such disposition. This disclaimer of warranties will not render the sale commercially unreasonable.

- 4.3 Debtor shall at the request of Bank, notify the account debtors or obligors of Bank's security interest in the Collateral and direct payment of it to Bank. Bank may, itself, upon the occurrence of any Event of Default so notify and direct any account debtor or obligor. At the request of Bank, whether or not an Event of Default shall have occurred, Debtor shall immediately take such actions as the Bank shall request to establish exclusive control (as defined in the Uniform Commercial Code) by Bank over any Collateral which is of such a nature that perfection of a security interest may be accomplished by control.
- 4.4 The proceeds of any sale or other disposition of Collateral authorized by this Agreement shall be applied by Bank first upon all expenses authorized by the Uniform Commercial Code and all reasonable attorneys fees and legal expenses incurred by Bank; the balance of the proceeds of the sale or other disposition shall be applied in the payment of the Indebtedness, first to interest, then to principal, then to remaining Indebtedness and the surplus, if any, shall be paid over to Debtor or to such other person(s) as may be entitled to it under applicable law. Debtor shall remain liable for any deficiency, which it shall pay to Bank immediately upon demand. Debtor agrees that Bank shall be under no obligation to accept any noncash proceeds in connection with any sale or disposition of Collateral unless failure to do so would be commercially unreasonable. If Bank agrees in its sole discretion to accept noncash proceeds (unless the failure to do so would be commercially unreasonable), Bank may ascribe any commercially reasonable value to such proceeds. Without limiting the foregoing, Bank may apply any discount factor in determining the present value of proceeds to be received in the future or may elect to apply proceeds to be received in the future only as and when such proceeds are actually received in cash by Bank.
- 4.5 Nothing in this Agreement is intended, nor shall it be construed, to preclude Bank from pursuing any other remedy provided by law or in equity for the collection of the Indebtedness or for the recovery of any other sum to which Bank may be entitled for the breach of this Agreement by Debtor. Nothing in this Agreement shall reduce or release in any way any rights or security interests of Bank contained in any existing agreement between Borrower, Debtor, or any Guarantor and Bank.
- 4.6 No waiver of default or consent to any act by Debtor shall be effective unless in writing and signed by an authorized officer of Bank. No waiver of any default or forbearance on the part of Bank in enforcing any of its rights under this Agreement shall operate as a waiver of any other default or of the same default on a future occasion or of any rights.

- 4.7 Debtor (a) irrevocably appoints Bank or any agent of Bank (which appointment is coupled with an interest) the true and lawful attorney of Debtor (with full power of substitution) to act in the name, place and stead of, and at the expense of, Debtor and (b) authorizes Bank or any agent of Bank, in its own name, at Debtor's expense, to do any of the following, as Bank, in its sole discretion, deems appropriate:
- (i) to demand, receive, sue for, and give receipts or acquittances for any moneys due or to become due on any Collateral and to endorse any item representing any payment on or proceeds of the Collateral;
 - (ii) to execute and file in the name of and on behalf of Debtor all financing statements or other filings deemed necessary or desirable by Bank to evidence, perfect, or continue the security interests granted in this Agreement; and
 - (iii) to do and perform any act on behalf of Debtor permitted or required under this Agreement.
- 4.8 Upon the occurrence of an Event of Default, Debtor also agrees, upon request of Bank, to assemble the Collateral and make it available to Bank at any place designated by Bank which is reasonably convenient to Bank and Debtor.
- 4.9 The following shall be the basis for any finder of fact's determination of the value of any Collateral which is the subject matter of a disposition giving rise to a calculation of any surplus or deficiency under Section 9-615 (f) of the Uniform Commercial Code (as in effect on or after July 1, 2001): (a) the Collateral which is the subject matter of the disposition shall be valued in an "as is" condition as of the date of the disposition, without any assumption or expectation that such Collateral will be repaired or improved in any manner; (b) the valuation shall be based upon an assumption that the transferee of such Collateral desires a resale of the Collateral for cash promptly (but no later than 30 days) following the disposition; (c) all reasonable closing costs customarily borne by the seller in commercial sales transactions relating to property similar to such Collateral shall be deducted including, without limitation, brokerage commissions, tax prorations, attorneys' fees, whether inside or outside counsel is used, and marketing costs; (d) the value of the Collateral which is the subject matter of the disposition shall be further discounted to account for any estimated holding costs associated with maintaining such Collateral pending sale (to the extent not accounted for in (c) above), and other maintenance, operational and ownership expenses; and (e) any expert opinion testimony given or considered in connection with a determination of the value of such Collateral must be given by persons having at least 5 years experience in appraising property similar to the Collateral and who have conducted and prepared a complete written appraisal of such Collateral taking into consideration the factors set forth above. The "value" of any such Collateral shall be a factor in determining the amount of proceeds which would have been realized in a disposition to a transferee other than a secured party, a person related to a secured party or a secondary obligor under Section 9-615(f) of the Uniform Commercial Code.

5. **Miscellaneous.**

- 5.1 Until Bank is advised in writing by Debtor to the contrary, all notices, requests and demands required under this Agreement or by law shall be given to, or made upon, Debtor at the following address:

550 W. Merrill Street, Suite #200

STREET ADDRESS

<u>Birmingham</u>	<u>Michigan</u>	<u>48009</u>	<u>Oakland</u>
CITY	STATE	ZIP CODE	COUNTY

- 5.2 Debtor will give Bank not less than 90 days prior written notice of all contemplated changes in Debtor's name, location, chief executive office, principal place of business, and/or location of any Collateral, but the giving of this notice shall not cure any Event of Default caused by this change.
- 5.3 Bank assumes no duty of performance or other responsibility under any contracts contained within the Collateral.

- 5.4 Bank has the right to sell, assign, transfer, negotiate or grant participations or any interest in, any or all of the Indebtedness and any related obligations, including without limit this Agreement. In connection with the above, but without limiting its ability to make other disclosures to the full extent allowable, Bank may disclose all documents and information which Bank now or later has relating to Debtor, the Indebtedness or this Agreement, however obtained. Debtor further agrees that Bank may provide information relating to this Agreement or relating to Debtor or the Indebtedness to the Bank's parent, affiliates, subsidiaries, and service providers.
- 5.5 In addition to Bank's other rights, any indebtedness owing from Bank to Debtor can be set off and applied by Bank on any Indebtedness at any time(s) either before or after maturity or demand without notice to anyone. Any such action shall not constitute acceptance of collateral in discharge of any portion of the Indebtedness.
- 5.6 Debtor, to the extent not expressly prohibited by applicable law, waives any right to require the Bank to: (a) proceed against any person or property; (b) give notice of the terms, time and place of any public or private sale of personal property security held from Borrower or Debtor or any other person, or otherwise comply with the provisions of Section 9-504 of the Uniform Commercial Code in effect prior to July 1, 2001 or its successor provisions thereafter; or (c) pursue any other remedy in the Bank's power. Debtor waives notice of acceptance of this Agreement and presentment, demand, protest, notice of protest, dishonor, notice of dishonor, notice of default, notice of intent to accelerate or demand payment of any Indebtedness, any and all other notices to which the undersigned might otherwise be entitled, and diligence in collecting any Indebtedness, and agree(s) that the Bank may, once or any number of times, modify the terms of any Indebtedness, compromise, extend, increase, accelerate, renew or forbear to enforce payment of any or all Indebtedness, or permit Borrower to incur additional Indebtedness, all without notice to Debtor and without affecting in any manner the unconditional obligation of Debtor under this Agreement. Debtor unconditionally and irrevocably waives each and every defense and setoff of any nature which, under principles of guaranty or otherwise, would operate to impair or diminish in any way the obligation of Debtor under this Agreement, and acknowledges that such waiver is by this reference incorporated into each security agreement, collateral assignment, pledge and/or other document from Debtor now or later securing the Indebtedness, and acknowledges that as of the date of this Agreement no such defense or setoff exists.
- 5.7 Debtor waives any and all rights (whether by subrogation, indemnity, reimbursement, or otherwise) to recover from Borrower any amounts paid or the value of any Collateral given by Debtor pursuant to this Agreement until such times as all of the Indebtedness has been fully paid.
- 5.8 In the event that applicable law shall obligate Bank to give prior notice to Debtor of any action to be taken under this Agreement, Debtor agrees that a written notice given to Debtor at least ten days before the date of the act shall be reasonable notice of the act and, specifically, reasonable notification of the time and place of any public sale or of the time after which any private sale, lease, or other disposition is to be made, unless a shorter notice period is reasonable under the circumstances. A notice shall be deemed to be given under this Agreement when delivered to Debtor or when placed in an envelope addressed to Debtor and deposited, with postage prepaid, in a post office or official depository under the exclusive care and custody of the United States Postal Service or delivered to an overnight courier. The mailing shall be by overnight courier, certified, or first class mail.
- 5.9 Notwithstanding any prior revocation, termination, surrender, or discharge of this Agreement in whole or in part, the effectiveness of this Agreement shall automatically continue or be reinstated in the event that any payment received or credit given by Bank in respect of the Indebtedness is returned, disgorged, or rescinded under any applicable law, including, without limitation, bankruptcy or insolvency laws, in which case this Agreement, shall be enforceable against Debtor as if the returned, disgorged, or rescinded payment or credit had not been received or given by Bank, and whether or not Bank relied upon this payment or credit or changed its position as a consequence of it. In the event of continuation or reinstatement of this Agreement, Debtor agrees upon demand by Bank to execute and deliver to Bank those documents which Bank determines are appropriate to further evidence (in the public records or otherwise) this continuation or reinstatement, although the failure of Debtor to do so shall not affect in any way the reinstatement or continuation.

- 5.10 This Agreement and all the rights and remedies of Bank under this Agreement shall inure to the benefit of Bank's successors and assigns and to any other holder who derives from Bank title to or an interest in the Indebtedness or any portion of it, and shall bind Debtor and the heirs, legal representatives, successors, and assigns of Debtor. Nothing in this Section 5.10 is deemed a consent by Bank to any assignment by Debtor.
- 5.11 If there is more than one Debtor, all undertakings, warranties and covenants made by Debtor and all rights, powers and authorities given to or conferred upon Bank are made or given jointly and severally.
- 5.12 Except as otherwise provided in this Agreement, all terms in this Agreement have the meanings assigned to them in Article 9 (or, absent definition in Article 9, in any other Article) of the Uniform Commercial Code, as those meanings may be amended, revised or replaced from time to time. "Uniform Commercial Code" means Act No. 174 of the Michigan Public Acts of 1962, as amended, revised or replaced from time to time, including without limit as amended by Act No. 348 of the Michigan Public Acts of 2000. Notwithstanding the foregoing, the parties intend that the terms used herein which are defined in the Uniform Commercial Code have, at all times, the broadest and most inclusive meanings possible. Accordingly, if the Uniform Commercial Code shall in the future be amended or held by a court to define any term used herein more broadly or inclusively than the Uniform Commercial Code in effect on the date of this Agreement, then such term, as used herein, shall be given such broadened meaning. If the Uniform Commercial Code shall in the future be amended or held by a court to define any term used herein more narrowly, or less inclusively, than the Uniform Commercial Code in effect on the date of this Agreement, such amendment or holding shall be disregarded in defining terms used in this Agreement.
- 5.13 No single or partial exercise, or delay in the exercise, of any right or power under this Agreement, shall preclude other or further exercise of the rights and powers under this Agreement. The unenforceability of any provision of this Agreement shall not affect the enforceability of the remainder of this Agreement. This Agreement constitutes the entire agreement of Debtor and Bank with respect to the subject matter of this Agreement. No amendment or modification of this Agreement shall be effective unless the same shall be in writing and signed by Debtor and an authorized officer of Bank. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF MICHIGAN, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.
- 5.14 To the extent that any of the Indebtedness is payable upon demand, nothing contained in this Agreement shall modify the terms and conditions of that Indebtedness nor shall anything contained in this Agreement prevent Bank from making demand, without notice and with or without reason, for immediate payment of any or all of that Indebtedness at any time(s), whether or not an Event of Default has occurred.
- 5.15 Debtor represents and warrants that Debtor's exact name is the name set forth in this Agreement. Debtor further represents and warrants the following and agrees that Debtor is, and at all times shall be, located in the following place:
- Debtor is an individual, and Debtor is located (as determined pursuant to the Uniform Commercial Code) at Debtor's principal residence which is (street address, state and county or parish): _____
- Debtor is a registered organization which is organized under the laws of one of the states comprising the United States (e.g. corporation, limited partnership, registered limited liability partnership or limited liability company), and Debtor is located (as determined pursuant to the Uniform Commercial Code) in the state under the laws of which it was organized, which is state: Florida.
- Debtor is a domestic organization which is not a registered organization under the laws of the United States or any state thereof (e.g. general partnership, joint venture, trust, estate or association), and Debtor is located (as determined pursuant to the Uniform Commercial Code) at its sole place of business or, if it has more than one place of business, at its chief executive office, which is (street address, state and county or parish): _____
- Debtor is a registered organization organized under the laws of the United States, and Debtor is located in the state that United States law designates as its location or, if United States law

authorizes the Debtor to designate the state for its location, the state designated by Debtor, or if neither of the foregoing are applicable, at the District of Columbia. Based on the foregoing, Debtor is located (as determined pursuant to the Uniform Commercial Code) at (state): _____.

- Debtor is a foreign individual or foreign organization or a branch or agency of a bank that is not organized under the laws of the United States or a state thereof. Debtor is located (as determined pursuant to the Uniform Commercial Code) at (street address, state and county or parish): _____.

The Collateral is located at and shall be maintained at the following location(s):

550 W. Merrill Street, Suite #200
STREET ADDRESS

<u>Birmingham</u>	<u>Michigan</u>	<u>48009</u>	<u>Oakland</u>
CITY	STATE	ZIP CODE	COUNTY

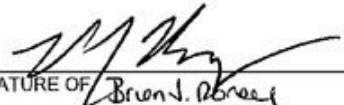
Collateral shall be maintained only at the locations identified in this Section 5.15.

- 5.16 A carbon, photographic or other reproduction of this Agreement shall be sufficient as a financing statement under the Uniform Commercial Code and may be filed by Bank in any filing office.
- 5.17 This Agreement shall be terminated only by the filing of a termination statement in accordance with the applicable provisions of the Uniform Commercial Code, but the obligations contained in Section 2.13 of this Agreement shall survive termination.
- 5.18 Debtor agrees to reimburse the Bank upon demand for any and all costs and expenses (including, without limit, court costs, legal expenses and reasonable attorneys fees, whether inside or outside counsel is used, whether or not suit is instituted and, if suit is instituted, whether at the trial court level, appellate level, in a bankruptcy, probate or administrative proceeding or otherwise) incurred in enforcing or attempting to enforce this Agreement or in exercising or attempting to exercise any right or remedy under this Agreement or incurred in any other matter or proceeding relating to this Security Agreement.
6. **DEBTOR AND BANK ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED. EACH PARTY, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THEIR MUTUAL BENEFIT WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS AGREEMENT OR THE INDEBTEDNESS.**

7. Special Provisions Applicable to this Agreement. (*None, if left blank)

Debtor:

AMERICAN COLONIAL INSURANCE SERVICES, INC.

By:  _____
SIGNATURE OF *Brian J. Abree*

Its: *Treasurer* _____
TITLE (If applicable)

By: _____
SIGNATURE OF

Its: _____
TITLE (If applicable)

GUARANTY

The undersigned, for value received, unconditionally and absolutely guarantee(s) to Comerica Bank ("Bank"), and to the Bank's successors and assigns, payment when due, whether by stated maturity, demand, acceleration or otherwise, of all existing and future Indebtedness (as hereinafter defined) to the Bank of Conifer Holdings, Inc., a Michigan corporation, or any successor in interest, including, without limit, any debtor-in-possession or trustee in bankruptcy which succeeds to the interest of this party or person (jointly and severally the "Borrower"). "Indebtedness" shall mean any and all indebtedness, obligations or liabilities of the Borrower to the Bank, howsoever arising, evidenced or incurred, whether absolute or contingent, direct or indirect, voluntary or involuntary, liquidated or unliquidated, joint or several, and whether or not known to the undersigned at the time of this Guaranty or at the time any future indebtedness is incurred, and whether originally payable to the Bank or to a third party and subsequently acquired by the Bank, including, without limitation, (a) any and all direct indebtedness of the Borrower to the Bank, including indebtedness evidenced by any and all promissory notes; (b) any and all obligations or liabilities of the Borrower to the Bank arising under any guaranty where the Borrower has guaranteed the payment of indebtedness owing to the Bank from a third party; (c) any and all obligations or liabilities of the Borrower to the Bank arising from applications or agreements for the issuance of letters of credit; (d) late charges, loan fees or charges and overdraft indebtedness; (e) any agreement to indemnify the Bank for environmental liability or to clean up hazardous waste; (f) any and all indebtedness, obligations or liabilities for which the Borrower would otherwise be liable to the Bank were it not for the invalidity, irregularity or unenforceability of them by reason of any bankruptcy, insolvency or other law or order of any kind, or for any other reason, including, without limit, liability for interest and attorneys' fees on, or in connection with, any of the Indebtedness from and after the filing by or against the Borrower of a bankruptcy petition, whether an involuntary or voluntary bankruptcy case, including, without limitation, all attorneys' fees and costs incurred in connection with motions for relief from stay, cash collateral motions, nondischargeability motions, preference liability motions, fraudulent conveyance liability motions, fraudulent transfer liability motions and all other motions brought by Borrower, the undersigned, Bank or third parties in any way relating to Bank's rights with respect to such Borrower, the undersigned, or third party and/or affecting any collateral securing any obligation owed to Bank by Borrower, the undersigned, or any third party, probate proceedings, on appeal or otherwise; (g) any and all amendments, modifications, renewals and/or extensions of any of the above, including, without limit, amendments, modifications, renewals and/or extensions which are evidenced by new or additional instruments, documents or agreements; and (h) all costs of collecting Indebtedness, including, without limit, attorneys' fees and costs. Any reference in this Guaranty to attorneys' fees shall be deemed a reference to reasonable fees, charges, costs and expenses of counsel and paralegals, whether inside or outside counsel is used, and whether or not a suit or action is instituted, and to court costs if a suit or action is instituted, and whether attorneys' fees or court costs are incurred at the trial court level, on appeal, in a bankruptcy, administrative or probate proceeding or otherwise. All costs and expenses shall be payable immediately by the undersigned when incurred by the Bank, without demand, and until paid shall bear interest at the highest per annum rate applicable to any of the Indebtedness, but not in excess of the maximum rate permitted by law. Notwithstanding anything to the contrary in this Guaranty, the term "Indebtedness" shall not include any Excluded Swap Obligation (as hereinafter defined). "Excluded Swap Obligation" shall mean any obligation of Borrower to Bank with respect to a "swap," as defined in Section 1a(47) of the Commodity Exchange Act ("CEA"), if and to the extent that the undersigned's guaranteeing of such swap obligation, or the undersigned's granting of a security interest or lien to secure such swap obligation, is or becomes illegal under the CEA, or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof), by virtue of the undersigned's failure for any reason to constitute an "eligible contract participant," as defined in Section 1a(18) of the CEA and the regulations thereunder, at the time such guarantee or such security interest grant becomes effective with respect to such swap obligation. If any such swap obligation arises under a master agreement governing more than one swap, the foregoing exclusion shall apply only to those swap obligations that are attributable to swaps in respect of which the undersigned's guaranteeing of, or the undersigned's granting of a security interest or lien to secure, such swaps is or becomes illegal.

1. **LIMITATION:** The total obligation of the undersigned under this Guaranty is **UNLIMITED** unless specifically limited in the Additional Provisions of this Guaranty, and this obligation (whether unlimited or limited to the extent specified in the Additional Provisions) shall include, IN ADDITION TO any limited amount of principal guaranteed, all interest on all Indebtedness, and all costs and expenses of any kind incurred by the Bank in collection efforts against the Borrower and/or the undersigned or otherwise incurred by the Bank in any way relating to the Indebtedness or this Guaranty, including without limit attorneys' fees. With respect to the limitation, if any, stated in the Additional Provisions below on the amount of principal guaranteed under this Guaranty, the undersigned agree(s) that (a) this limitation shall not be a limitation on the amount of Borrower's Indebtedness to the Bank; (b) any payments by the undersigned shall not reduce the maximum liability of the undersigned under this Guaranty unless written notice to that effect is actually received by the Bank at, or prior to, the time of the payment; and (c) the liability of the undersigned to the Bank shall at all times be deemed to be the aggregate liability of the undersigned under this Guaranty and any other guaranties previously or subsequently given to the Bank by the undersigned and not expressly revoked, modified or invalidated in writing.
2. **NATURE OF GUARANTY:** This is a continuing Guaranty of payment and not of collection and remains effective whether the Indebtedness is from time to time reduced and later increased or entirely extinguished and later reincurred. This Guaranty shall remain effective with respect to successive transactions which shall either continue the Indebtedness, increase or decrease it, or from time to time create new Indebtedness after all or any prior Indebtedness has been satisfied, until this Guaranty is terminated in the manner and to the extent provided above.

The undersigned acknowledge(s) and agree(s) that the liabilities created by this Guaranty are direct and are not conditioned upon pursuit by the Bank of any remedy the Bank may have against the Borrower or any person or any security. No invalidity, irregularity or unenforceability of any part or all of the Indebtedness or any documents evidencing the same, by reason of any bankruptcy, insolvency or other law or order of any kind or for any reason, and no defense or setoff available at any time to the Borrower, shall impair, affect or be a defense or setoff to the obligations of the undersigned under this Guaranty.

The undersigned deliver(s) this Guaranty based solely on the undersigned's independent investigation of (or decision not to investigate) the financial condition of Borrower and is (are) not relying on any information furnished by the Bank. The undersigned assume(s) full responsibility for obtaining any further information concerning the Borrower's financial condition, the status of the Indebtedness or any other matter which the undersigned may deem necessary or appropriate now or later. The undersigned waive(s) any duty on the part of the Bank, and agree(s) that it is not relying upon nor expecting the Bank to disclose to the undersigned any fact now or later known by the Bank, whether relating to the operations or condition of the Borrower, the existence, liabilities or financial condition of any co-guarantor of the Indebtedness, the occurrence of any default with respect to the Indebtedness, or otherwise, notwithstanding any effect these facts may have upon the undersigned's risk under this Guaranty or the undersigned's rights against the Borrower. The undersigned knowingly accept(s) the full range of risk encompassed in this Guaranty, which risk includes, without limit, the possibility that Borrower may incur Indebtedness to the Bank after the financial condition of the Borrower, or the Borrower's ability to pay debts as they mature, has deteriorated. The undersigned represent(s) and warrant(s) that: (a) the Bank has made no representation to the undersigned as to the creditworthiness of the Borrower; and (b) the undersigned has (have) established adequate means of obtaining from the Borrower on a continuing basis financial and other information pertaining to the Borrower's financial condition. The undersigned agree(s) to keep adequately informed of any facts, events or circumstances which might in any way affect the risks of the undersigned under this Guaranty.

3. **APPLICATION OF PAYMENTS:** The undersigned authorize(s) the Bank, either before or after termination of this Guaranty, without notice to or demand on the undersigned and without affecting the undersigned's liability under this Guaranty, from time to time to: (a) apply any security and direct the order or manner of sale of it; (b) release or substitute any one or more of the endorsers or any other

guarantors of the Indebtedness; and (c) apply payments received by the Bank from the Borrower to any indebtedness of the Borrower to the Bank, in such order as the Bank shall determine in its sole discretion, whether or not this indebtedness is covered by this Guaranty, and the undersigned waive(s) any provision of law regarding application of payments which specifies otherwise. The undersigned agree(s) to provide to the Bank copies of the undersigned's financial statements upon request.

4. **SECURITY/SUBORDINATION:** The undersigned pledge(s), assign(s) and grant(s) to the Bank a security interest in and lien upon and the right of setoff as to any and all property of the undersigned now or later in the possession of the Bank. The undersigned further assign(s) to the Bank as collateral for the obligations of the undersigned under this Guaranty all claims of any nature that the undersigned now or later has (have) against the Borrower (other than any claim under a deed of trust or mortgage covering California real property) with full right on the part of the Bank, in its own name or in the name of the undersigned, to collect and enforce these claims. The undersigned subordinate(s) any claim of any nature that the undersigned now or later has (have) against the Borrower to and in favor of all Indebtedness and agree(s) not to accept payment or satisfaction of any claim that the undersigned now or later may have against the Borrower without the prior written consent of the Bank. Should any payment, distribution, security, or proceeds, be received by the undersigned upon or with respect to any claim that the undersigned now or may later have against the Borrower, the undersigned shall immediately deliver the same to the Bank in the form received (except for endorsement or assignment by the undersigned where required by the Bank) for application on the Indebtedness, whether matured or unmatured, and until delivered the same shall be held in trust by the undersigned as the property of the Bank. The undersigned agree(s) that no security now or later held by the Bank for the payment of any Indebtedness, whether from the Borrower, any guarantor, or otherwise, and whether in the nature of a security interest, pledge, lien, assignment, setoff, suretyship, guaranty, indemnity, insurance or otherwise, shall affect in any manner the unconditional obligation of the undersigned under this Guaranty, and the Bank, in its sole discretion, without notice to the undersigned, may release, exchange, enforce and otherwise deal with any security without affecting in any manner the unconditional obligation of the undersigned under this Guaranty. The undersigned acknowledge(s) and agree(s) that the Bank has no obligation to acquire or perfect any lien on or security interest in any asset(s), whether real or personal, to secure payment of the Indebtedness, and the undersigned is (are) not relying upon any asset(s) in which the Bank has or may have a lien or security interest for payment of the Indebtedness.
5. **OTHER GUARANTORS:** If any Indebtedness is guaranteed by two or more guarantors, the obligation of the undersigned shall be several and also joint, each with all and also each with any one or more of the others, and may be enforced at the option of the Bank against each severally, any two or more jointly, or some severally and some jointly. The Bank, in its sole discretion, may release any one or more of the guarantors for any consideration which it deems adequate, and may fail or elect not to prove a claim against the estate of any bankrupt, insolvent, incompetent or deceased guarantor; and after that, without notice to any guarantor, the Bank may extend or renew any or all Indebtedness and may permit the Borrower to incur additional Indebtedness, without affecting in any manner the unconditional obligation of the remaining guarantor(s). The undersigned acknowledge(s) that the effectiveness of this Guaranty is not conditioned on any or all of the indebtedness being guaranteed by anyone else. This action by the Bank shall not, however, be deemed to affect any right to contribution which may exist among the guarantors.
6. **TERMINATION:** Any of the undersigned may terminate their obligation under this Guaranty as to future Indebtedness (except as provided below) by (and only by) delivering written notice of termination to an officer of the Bank and receiving from an officer of the Bank written acknowledgment of delivery; provided, however, the termination shall not be effective until the opening of business on the fifth (5th) day ("effective date") following written acknowledgment of delivery. Any termination shall not affect in any way the unconditional obligations of the remaining guarantor(s), whether or not the termination is known to the remaining guarantor(s). Any termination shall not affect in any way the unconditional obligations of the terminating guarantor(s) as to any Indebtedness existing at the effective date of

termination or any Indebtedness created after that pursuant to any commitment or agreement of the Bank or pursuant to any Borrower loan with the Bank existing at the effective date of termination (whether advances or readvances by the Bank after the effective date of termination are optional or obligatory), or any modifications, extensions or renewals of any of this Indebtedness, whether in whole or in part, and as to all of this Indebtedness and modifications, extensions or renewals of it, this Guaranty shall continue effective until the same shall have been fully paid. The Bank has no duty to give notice of termination by any guarantor(s) to any remaining guarantor(s). The undersigned shall indemnify the Bank against all claims, damages, costs and expenses, including, without limit, attorney fees, incurred by the Bank in connection with any suit, claim or action against the Bank arising out of any modification or termination of a Borrower loan or any refusal by the Bank to extend additional credit in connection with the termination of this Guaranty.

7. **REINSTATEMENT:** Notwithstanding any prior revocation, termination, surrender or discharge of this Guaranty (or of any lien, pledge or security interest securing this Guaranty) in whole or in part, the effectiveness of this Guaranty, and of all liens, pledges and security interests securing this Guaranty, shall automatically continue or be reinstated, as the case may be, in the event that any payment received or credit given by the Bank in respect of the Indebtedness is returned, disgorged or rescinded as a preference, impermissible setoff, fraudulent conveyance, diversion of trust funds or otherwise under any applicable state or federal law, including, without limitation, laws pertaining to bankruptcy or insolvency, in which case this Guaranty, and all liens, pledges and security interests securing this Guaranty, shall be enforceable against the undersigned as if the returned, disgorged or rescinded payment or credit had not been received or given by the Bank, and whether or not the Bank relied upon this payment or credit or changed its position as a consequence of it. In the event of continuation or reinstatement of this Guaranty and the liens, pledges and security interests securing it, the undersigned agree(s) upon demand by the Bank, to execute and deliver to the Bank those documents which the Bank determines are appropriate to further evidence (in the public records or otherwise) this continuation or reinstatement, although the failure of the undersigned to do so shall not affect in any way the reinstatement or continuation. If the undersigned do(es) not execute and deliver to the Bank upon demand such documents, the Bank and each Bank officer is irrevocably appointed (which appointment is coupled with an interest) the true and lawful attorney of the undersigned (with full power of substitution) to execute and deliver such documents in the name and on behalf of the undersigned.
8. **WAIVERS:** The undersigned, to the extent not expressly prohibited by applicable law, waive(s) any right to require the Bank to: (a) proceed against any person or property, including, without limit, the Borrower; (b) give notice of the terms, time and place of any public or private sale of personal property security held from the Borrower or any other person, or otherwise comply with the provisions of Section 9-611 or 9-621 of the Michigan or other applicable Uniform Commercial Code, as the same may be amended, revised or replaced from time to time; or (c) pursue any other remedy in the Bank's power. The undersigned waive(s) notice of acceptance of this Guaranty and presentment, demand, protest, notice of protest, dishonor, notice of dishonor, notice of default, notice of intent to accelerate or demand payment or notice of acceleration of any Indebtedness, any and all other notices to which the undersigned might otherwise be entitled, and diligence in collecting any Indebtedness, and agree(s) that the Bank may, once or any number of times, modify the terms of any Indebtedness, compromise, extend, increase, accelerate, renew or forbear to enforce payment of any or all Indebtedness, or permit the Borrower to incur additional Indebtedness, all without notice to the undersigned and without affecting in any manner the unconditional obligation of the undersigned under this Guaranty.

The undersigned unconditionally and irrevocably waive(s) each and every defense and setoff of any nature which, under principles of guaranty or otherwise, would operate to impair or diminish in any way the obligation of the undersigned under this Guaranty, and acknowledge(s) that each such waiver is by this reference incorporated into each security agreement, collateral assignment, pledge and/or other document from the undersigned now or later securing this Guaranty and/or the Indebtedness, and acknowledge(s) that as of the date of this Guaranty no such defense or setoff exists. The undersigned acknowledge(s) that the effectiveness of this Guaranty is subject to no conditions of any kind.

9. **WAIVER OF SUBROGATION:** The undersigned waive(s) any and all rights (whether by subrogation, indemnity, reimbursement, or otherwise) to recover from the Borrower any amounts paid by the undersigned pursuant to this Guaranty until the Indebtedness has been irrevocably paid and discharged in full.
10. **SALE/ASSIGNMENT:** The undersigned acknowledge(s) that the Bank has the right to sell, assign, transfer, negotiate, or grant participations in all or any part of the Indebtedness and any related obligations, including, without limit, this Guaranty, without notice to the undersigned. In connection with that right, the Bank may disclose any documents and information which the Bank now has or later acquires relating to the undersigned, this Guaranty or the Borrower in connection with such sale, assignment, transfer, negotiation, or grant, whether furnished by the Borrower, the undersigned or otherwise. The undersigned further agree(s) that the Bank may disclose these documents and information to the Borrower. The undersigned agree(s) that the Bank may provide information relating to this Guaranty or relating to the undersigned to the Bank's parent, affiliates, subsidiaries and service providers.
11. **GENERAL:** This Guaranty constitutes the entire agreement of the undersigned and the Bank with respect to the subject matter of this Guaranty. No waiver, consent, modification or change of the terms of the Guaranty shall bind any of the undersigned or the Bank unless in writing and signed by the waiving party or an authorized officer of the waiving party, and then this waiver, consent, modification or change shall be effective only in the specific instance and for the specific purpose given. This Guaranty shall inure to the benefit of the Bank and its successors and assigns and shall be binding on the undersigned and the undersigned's heirs, legal representatives, successors and assigns including, without limit, any debtor in possession or trustee in bankruptcy for any of the undersigned. The undersigned has (have) knowingly and voluntarily entered into this Guaranty in good faith for the purpose of inducing the Bank to extend credit or make other financial accommodations to the Borrower, and the undersigned acknowledge(s) that the terms of this Guaranty are reasonable. If any provision of this Guaranty is unenforceable in whole or in part for any reason, the remaining provisions shall continue to be effective. **THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF MICHIGAN, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.**
12. **HEADINGS:** Headings in this Guaranty are included for the convenience of reference only and shall not constitute a part of this Guaranty for any purpose.
13. **ADDITIONAL PROVISIONS:** None.

[Remainder of Page Intentionally Left Blank]

14. JURY TRIAL WAIVER: THE UNDERSIGNED AND BANK, BY ACCEPTANCE OF THIS GUARANTY, ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED UNDER CERTAIN CIRCUMSTANCES. TO THE EXTENT PERMITTED BY LAW, EACH PARTY, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THEIR MUTUAL BENEFIT WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS GUARANTY OR THE INDEBTEDNESS.

IN WITNESS WHEREOF, the undersigned has (have) signed this Guaranty on NOVEMBER 29, 2016.

WITNESS:

GUARANTOR:

SYCAMORE INSURANCE AGENCY, INC.

Harold J. Meloche

By: [Signature]

Print Name HAROLD J. MELOCHE

Title: President

AMERICAN COLONIAL INSURANCE SERVICES, INC.

Harold J. Meloche

By: [Signature]

Print Name HAROLD J. MELOCHE

Title: Treasurer

GUARANTOR'S ADDRESS

c/o Conifer Holdings, Inc.
550 W. Merrill Street, Suite #200
STREET ADDRESS

Birmingham, Michigan 48009
CITY STATE ZIP CODE



Corporate Resolutions and Incumbency Certification
Authority to Support Another's Borrowings

I certify that I am the duly elected and qualified Secretary of Sycamore Insurance Agency, Inc., a Michigan corporation ("Corporation") and the keeper of the records of the Corporation; that the following is a true and correct copy of resolutions duly adopted by the Board of Directors in accordance with its bylaws and applicable statutes on or as of November 28, 2016.

Copy of Resolutions:

Whereas, this Corporation is financially interested in the affairs of Conifer Holdings, Inc., a Michigan corporation ("Borrower"); and

Whereas, there has been presented to the Board of Directors of this Corporation certain documents and instruments including but not limited to the following:

Guaranty secured by all assets of the Corporation

[insert type(s) of support, e.g. Guaranty, Subordination Agreement, Security Agreement, etc.] collectively referred to as ("Agreement"), as yet unexecuted, in favor of Comerica Bank ("Bank"), pertaining to the existing and/or future indebtedness of the Borrower to the Bank; and

Whereas, in order to induce the Bank to extend credit or other financial accommodations to the Borrower, the Board of Directors deems it advisable, desirable, and in the best interests of this Corporation and its shareholders that this Corporation enter into the Agreement;

Be It Resolved, That:


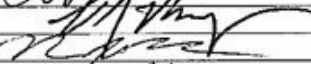
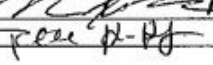
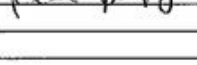
1. This Corporation approves, adopts, and enters into the Agreement.
2. The _____ (or any one of them) of this Corporation be, and they are, and each is, authorized, empowered and directed to execute the Agreement, for and on behalf of this Corporation and in its name, with such changes or additions to it as any such officer may, in that officer's sole and absolute discretion, approve, and to deliver the same to Bank.
3. The above-named officers be, and they are, and each is, authorized, empowered and directed, for and on behalf of this Corporation and in its name, to do all acts and things, to give security for the liabilities of the Corporation as the Bank shall request, and to sign, seal, execute, acknowledge, file, record and/or deliver all certificates, financing statements and other instruments, papers and documents from time to time necessary, desirable or appropriate to be done, signed, sealed, executed, acknowledged, filed, recorded and/or delivered in order to effectuate the purposes of the Agreement and of these Resolutions.
4. Any and all agreements, instruments and documents previously executed, and acts and things previously done, to carry out the purposes of these Resolutions are ratified, confirmed and approved as the act or acts of this Corporation.
5. These Resolutions shall continue in force, and the Bank may consider the holders of said offices and their signatures to be and continue to be as set forth in a certified copy of these Resolutions delivered to the Bank, until notice to the contrary in writing is duly served on the Bank (such notice to have no effect on any action previously taken by the Bank in reliance on these Resolutions).

I further certify that the foregoing Resolutions are in full force and effect as of the date of this Certificate; that such Resolutions have been properly noted in the corporate books and records and have not been rescinded, annulled, revoked or modified; that neither the foregoing Resolutions nor any actions to be taken pursuant to them are or will be in violation of any provision of the articles of incorporation or bylaws of the Corporation or of any agreement, or other instrument to which the Corporation is a party or by which it is bound; and that neither the articles of incorporation nor bylaws of the Corporation nor any agreement or other instrument to which the Corporation is a party or by which it is

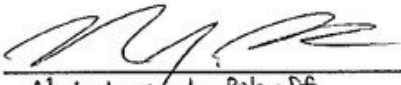
bound require the vote or consent of shareholders of the Corporation to authorize any act, matter or thing described in the foregoing Resolutions.


I further certify that the following named persons have been duly elected to the offices set opposite their respective names, that they continue to hold these offices at the present time, and that the signatures which appear below are the genuine, original signatures of each respectively:

(PLEASE SUPPLY GENUINE SIGNATURES OF AUTHORIZED SIGNERS BELOW)

Name (Type or Print)	Title	Signature
Andrew D. Petroff	President	
Brian J. Boney	Treasurer	
Nicholas J. Petroff	Secretary	
Rochelle Kepler-Rudolph	Asst. Secretary	

In Witness Whereof, I have affixed my name as Secretary and have caused the corporate seal of said Corporation to be affixed on November 28, 2016.


Nicholas J. Petroff Secretary

The Above Statements are Correct. 
Andrew D. Petroff SIGNATURE OF OFFICER OR DIRECTOR OR, IF NONE, A SHAREHOLDER,
OTHER THAN SECRETARY WHEN SECRETARY IS AUTHORIZED TO SIGN ALONE.

Failure to complete the above when the Secretary is authorized to sign alone shall constitute a certification by the Secretary that the Secretary is the sole Shareholder, Director and Officer of the Corporation.



Corporate Resolutions and Incumbency Certification
Authority to Support Another's Borrowings

I certify that I am the duly elected and qualified Secretary of American Colonial Insurance Services, Inc., a Florida corporation ("Corporation") and the keeper of the records of the Corporation; that the following is a true and correct copy of resolutions duly adopted by the Board of Directors in accordance with its bylaws and applicable statutes on or as of November 28, 2016.

Copy of Resolutions:

Whereas, this Corporation is financially interested in the affairs of Conifer Holdings, Inc., a Michigan corporation ("Borrower"); and

Whereas, there has been presented to the Board of Directors of this Corporation certain documents and instruments including but not limited to the following:

Guaranty secured by all assets of the Corporation

[insert type(s) of support, e.g. Guaranty, Subordination Agreement, Security Agreement, etc.] collectively referred to as ("Agreement"), as yet unexecuted, in favor of Comerica Bank ("Bank"), pertaining to the existing and/or future indebtedness of the Borrower to the Bank; and

Whereas, in order to induce the Bank to extend credit or other financial accommodations to the Borrower, the Board of Directors deems it advisable, desirable, and in the best interests of this Corporation and its shareholders that this Corporation enter into the Agreement;

Be It Resolved, That:




1. This Corporation approves, adopts, and enters into the Agreement.
2. The _____ (or any one of them) of this Corporation be, and they are, and each is, authorized, empowered and directed to execute the Agreement, for and on behalf of this Corporation and in its name, with such changes or additions to it as any such officer may, in that officer's sole and absolute discretion, approve, and to deliver the same to Bank.
3. The above-named officers be, and they are, and each is, authorized, empowered and directed, for and on behalf of this Corporation and in its name, to do all acts and things, to give security for the liabilities of the Corporation as the Bank shall request, and to sign, seal, execute, acknowledge, file, record and/or deliver all certificates, financing statements and other instruments, papers and documents from time to time necessary, desirable or appropriate to be done, signed, sealed, executed, acknowledged, filed, recorded and/or delivered in order to effectuate the purposes of the Agreement and of these Resolutions.
4. Any and all agreements, instruments and documents previously executed, and acts and things previously done, to carry out the purposes of these Resolutions are ratified, confirmed and approved as the act or acts of this Corporation.
5. These Resolutions shall continue in force, and the Bank may consider the holders of said offices and their signatures to be and continue to be as set forth in a certified copy of these Resolutions delivered to the Bank, until notice to the contrary in writing is duly served on the Bank (such notice to have no effect on any action previously taken by the Bank in reliance on these Resolutions).

I further certify that the foregoing Resolutions are in full force and effect as of the date of this Certificate; that such Resolutions have been properly noted in the corporate books and records and have not been rescinded, annulled, revoked or modified; that neither the foregoing Resolutions nor any actions to be taken pursuant to them are or will be in violation of any provision of the articles of incorporation or bylaws of the Corporation or of any agreement, or other instrument to which the Corporation is a party or by which it is bound; and that neither the articles of incorporation nor bylaws of the Corporation nor any agreement or other instrument to which the Corporation is a party or by which it is


bound require the vote or consent of shareholders of the Corporation to authorize any act, matter or thing described in the foregoing Resolutions.

I further certify that the following named persons have been duly elected to the offices set opposite their respective names, that they continue to hold these offices at the present time, and that the signatures which appear below are the genuine, original signatures of each respectively:


(PLEASE SUPPLY GENUINE SIGNATURES OF AUTHORIZED SIGNERS BELOW)

Name (Type or Print)	Title	Signature
Andrew D. Petcoff	President	
Sam J. Boney	Treasurer	
Nicholas J. Petcoff	Secretary	

In Witness Whereof, I have affixed my name as Secretary and have caused the corporate seal of said Corporation to be affixed on November 28, 2016.



Nicholas J. Petcoff Secretary

The Above Statements are Correct. 
Andrew D. Petcoff SIGNATURE OF OFFICER OR DIRECTOR OR, IF NONE, A SHAREHOLDER, OTHER THAN SECRETARY WHEN SECRETARY IS AUTHORIZED TO SIGN ALONE.

Failure to complete the above when the Secretary is authorized to sign alone shall constitute a certification by the Secretary that the Secretary is the sole Shareholder, Director and Officer of the Corporation.

CLOSING CERTIFICATE (S) SIAI

~~NOVEMBER~~ 29, 2016

Comerica Bank
411 West Lafayette
Detroit, Michigan 48226

Gentlemen:

I hereby certify that I am the Secretary of Sycamore Insurance Agency, Inc., a Michigan corporation (the "Company"), and as such have access to the Company's records and am familiar with the matters therein contained and herein certified, and that:


1. The Company is a corporation with a perpetual charter duly organized and validly existing and in good standing under the laws of the State of Michigan.

2. Attached hereto as Exhibit A is a true, correct and complete copy of the Articles of Incorporation of the Company as in effect on the date hereof, which Articles of Incorporation are in full force and effect without modification or amendment in any respect.

3. Attached hereto as Exhibit B is a true, correct and complete copy of the Bylaws of the Company as in effect on and as of the date hereof, which Bylaws are in full force and effect without modification or amendment in any respect.

4. No proceedings looking toward the dissolution or liquidation of the Company have been commenced and no such proceedings are contemplated.

IN WITNESS WHEREOF, I have hereunto set my hand this 29th day of ~~September~~ November, 2016.



Title: Secretary

CLOSING CERTIFICATE (6) AEA

NOVEMBER 29, 2016

Comerica Bank
411 West Lafayette
Detroit, Michigan 48226

Gentlemen:

I hereby certify that I am the Secretary of American Colonial Insurance Services, Inc., a Florida corporation (the "Company"), and as such have access to the Company's records and am familiar with the matters therein contained and herein certified, and that:

1. The Company is a corporation with a perpetual charter duly organized and validly existing and in good standing under the laws of the State of Florida.

2. Attached hereto as Exhibit A is a true, correct and complete copy of the Articles of Incorporation of the Company as in effect on the date hereof, which Articles of Incorporation are in full force and effect without modification or amendment in any respect.

3. Attached hereto as Exhibit B is a true, correct and complete copy of the Bylaws of the Company as in effect on and as of the date hereof, which Bylaws are in full force and effect without modification or amendment in any respect.

4. No proceedings looking toward the dissolution or liquidation of the Company have been commenced and no such proceedings are contemplated.

IN WITNESS WHEREOF, I have hereunto set my hand this 29th day of ~~September~~ ^{November}, 2016.



Title: Secretary

**CLOSING AGENDA
CONIFER HOLDINGS, INC.**

March 13, 2017

-
1. Ninth Amendment to Amended and Restated Credit Agreement and Waiver (13560438)
 2. Consistency Letter (13577056) (Bank and Bodman Only)

**NINTH AMENDMENT TO
AMENDED AND RESTATED CREDIT AGREEMENT AND WAIVER**

THIS ~~NINTH AMENDMENT TO~~ AMENDED AND RESTATED CREDIT AGREEMENT AND WAIVER ("Amendment") dated as of March 13, 2017, by and between Conifer Holdings, Inc., a Michigan corporation ("Company") and Comerica Bank ("Bank").

RECITALS:

A. Company and Bank entered into an Amended and Restated Credit Agreement dated as of September 29, 2014, as amended by seven amendments ("Agreement").

B. Company and Bank desire to amend the Agreement all as hereinafter set forth.

NOW, THEREFORE, the parties agree as follows:

1. The following definition in Section 1 of the Agreement is amended to read as follows:

"Fixed Charge Coverage Ratio (1)" shall mean, as of any date of determination, a ratio, the numerator of which is Consolidated Net Income of Company less net income from Subsidiaries (to the extent included in Net Income when applying the consolidated basis of accounting, in accordance with GAAP) for the four preceding fiscal quarters ending on such date, plus to the extent deducted in determining Net Income, interest expense, depreciation and amortization expenses (only to the extent directly recorded in Company) for such period, plus the Dividend Paying Capacity of all Insurance Subsidiaries plus dividends received in cash by Company from its Subsidiaries during such period and the denominator of which is the sum of (A) the amount of all dividends paid by Company to its shareholders during such period, (B) all scheduled principal and interest payments with respect to Funded Debt of Company during such period, (C) all payments by Company with respect to Capital Leases during such period, and (D) an amount equal to 16.67% multiplied by the first \$12,500,000 of the Revolving Credit Facility Amount."

2. Section 7.13 of the Agreement is amended to read as follows:

"7.13 Maintain as of the end of each fiscal quarter of Company a Tangible Effective Net Worth of not less than the following amounts during the periods specified below:

March 31, 2017 through December 30, 2017	\$62,000,000
December 31, 2017 and thereafter	\$64,000,000"

3. Company violated the provisions of Section 7.13 of the Agreement for the fiscal quarter ended December 31, 2016 (the "Covenant Violation"). The Bank hereby waives any event of default under the Agreement resulting from the Covenant Violation. This waiver shall

not be deemed to amend or alter in any respect the terms and conditions of the Agreement or any of the other loan documents, or to constitute a waiver or release by any of the Bank of any right, remedy or event of default under the Agreement or any of the other loan documents, except to the extent expressly set forth above. Furthermore, this waiver shall not affect in any manner whatsoever any rights or remedies of the Bank with respect to any other non-compliance by the Company with the Agreement or the other loan documents whether in the nature of an event of default or otherwise, and whether now in existence or subsequently arising.

4. Company hereby represents and warrants that, after giving effect to the provisions of this Amendment, (a) execution, delivery and performance of this Amendment and any other documents and instruments required under this Amendment or the Agreement are within its corporate powers, have been duly authorized, are not in contravention of law or the terms of Company's Certificate of Incorporation or Bylaws, and do not require the consent or approval of any governmental body, agency, or authority; and this Amendment and any other documents and instruments required under this Amendment or the Agreement, will be valid and binding in accordance with their terms; (b) the continuing representations and warranties of Company set forth in Sections 6.1 through 6.5 and 6.7 through 6.12 of the Agreement are true and correct on and as of the date hereof with the same force and effect as made on and as of the date hereof; (c) the continuing representations and warranties of Company set forth in Section 6.6 of the Agreement are true and correct as of the date hereof with respect to the most recent financial statements furnished to the Bank by Company in accordance with Section 7.1 of the Agreement; and (d) no Event of Default (as defined in the Agreement) or condition or event which, with the giving of notice or the running of time, or both, would constitute an Event of Default under the Agreement, as hereby amended, has occurred and is continuing as of the date hereof.

5. Except as expressly provided herein, all of the terms and conditions of the Agreement remain unchanged and in full force and effect.

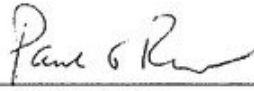
6. Company hereby waives, discharges, and forever releases Bank, Bank's employees, officers, directors, attorneys, stockholders and successors and assigns, from and of any and all claims, causes of action, allegations or assertions that Company has or may have had at any time up through and including the date of this Amendment, against any or all of the foregoing, regardless of whether any such claims, causes of action, allegations or assertions arose as a result of Bank's actions or omissions in connection with the Agreement, or any amendments, extensions or modifications thereto, or Bank's administration of debt evidenced by the Agreement or otherwise.

7. This Amendment shall be effective upon (a) execution of this Agreement by Company and the Bank and (b) payment by Company to Bank of a non-refundable amendment and waiver fee in the amount of \$52,500.

IN WITNESS the due execution hereof as of the day and year first above written.

COMERICA BANK

CONIFER HOLDINGS, INC.

By: 
Paul G. Russo

By: 

Its: Vice President

Its: president

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "*Agreement*") is made effective as of the 13th day of March, 2017 (the "*Commencement Date*"), by and between CONIFER HOLDINGS, INC., a Michigan corporation (the "*Company*") and NICHOLAS J. PETCOFF (the "*Executive*").

BACKGROUND

The Board of Directors of the Company (the "*Board*") has determined that it is in the best interests of the Company and its stockholders to employ the Executive. The Company and the Executive desire to enter into this Agreement to set forth the terms and conditions of the Executive's employment relationship. This Agreement shall represent the entire understanding and agreement between the parties with respect to the Executive's employment with the Company.

NOW, THEREFORE, in consideration of the foregoing and the terms and conditions set forth herein, the parties agree as follows:

TERMS AND CONDITIONS

1. EMPLOYMENT PERIOD.

(a) This Agreement shall be effective concurrently with the Commencement Date.

(b) The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company, subject to the terms and conditions of this Agreement, for the period commencing on the Commencement Date and ending on the first anniversary of the Commencement Date (the "*Initial Term*"). The term of this Agreement will automatically be renewed for a term of one (1) year (each, a "*Renewal Term*") at the end of the Initial Term and at the end of each Renewal Term thereafter, provided that (a) the Executive does not notify the Board of its intention not to renew this Agreement at least thirty (30) days prior (the "*Renewal Date*") to the expiration of the Initial Term or any Renewal Term and (b) the Board does not notify the Executive of its intention not to renew this Agreement on or prior to the Renewal Date. For purposes of this Agreement, "*Employment Period*" includes the Initial Term and any Renewal Term(s) thereafter.

2. TERMS OF EMPLOYMENT.

(a) Position and Duties.

(i) During the Employment Period, the Executive shall serve as the Executive Vice President of the Company, and in such other position or positions with the Company and its subsidiaries as are consistent with the Executive's position as Executive Vice President of the Company, and shall have such duties and responsibilities as are assigned to the Executive by the Board consistent with the Executive's position as Executive Vice President of the Company. Subject to Section 3(c), the Company may make changes to the Executive's roles,

responsibilities and reporting from time to time without advance notice to accommodate its business interest and this Agreement will continue to apply after such changes.

(ii) During the Employment Period, and excluding any periods of paid time off or other leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours and on a full-time basis to the business and affairs of the Company, to discharge the responsibilities assigned to the Executive hereunder, and to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) be employed by the Company or any of its subsidiaries or Affiliates, (B) serve on corporate, civic or charitable boards or committees, and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement.

(b) **Compensation.**

(i) **Base Salary.** During the Employment Period, the Executive shall receive an annual base salary (the "**Annual Base Salary**") at least equal to \$425,000, which shall be paid in accordance with the Company's normal payroll practices for senior executive officers of the Company as in effect from time to time. During the Employment Period, the Annual Base Salary shall be reviewed at least annually, and may be adjusted by the Compensation Committee of the Company's Board of Directors (the "**Compensation Committee**"). The term "Annual Base Salary" as utilized in this Agreement shall refer to the Annual Base Salary as so adjusted.

(ii) **Annual Cash Bonus.** In addition to the Annual Base Salary, for each fiscal year ending during the Employment Period, the Executive shall be eligible for an annual cash bonus (the "**Annual Bonus**") as determined by the Compensation Committee. Each such Annual Bonus awarded to the Executive shall be paid sometime during the first seventy-five (75) days of the fiscal year next following the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect, in compliance with Treasury Regulation 1.409A-2(a), to defer the receipt of such Annual Bonus. Executive must be employed with the Company in good standing on the payment date of the Annual Bonus to earn and be eligible to receive the Annual Bonus.

(iii) **Long-Term Incentive Equity Compensation.** During the Employment Period, the Executive shall be entitled to participate in any stock option, performance share, restricted stock unit or other equity based long-term incentive compensation plan, program or arrangement (the "**Plans**") generally made available to senior executive officers of the Company, on substantially the same terms and conditions as generally apply to such other officers, except that the size of the awards made to the Executive shall reflect the Executive's position with the Company and the Compensation Committee's views.

(iv) **Welfare Benefit Plans.** During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical,

prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent available generally or to other senior executive officers of the Company.

(v) **Expenses.** During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the plans, practices, policies and programs of the Company.

(vi) **Vacation.** During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the plans, practices, policies and programs of the Company consistent with the treatment of other senior executive officers of the Company. Up to ten (10) days shall roll over to the next year, if not used during any calendar year. Other than as required by applicable law, upon termination of Executive's employment for any reason, the Company will not pay any accrued or unused vacation time.

(c) **Recoupment of Unearned Incentive Compensation.** If the Board, or an appropriate committee thereof, determines that any fraud, negligence, or intentional misconduct by the Executive is a significant contributing factor to the Company having to restate all or a portion of its financial statements, the Board or committee may require reimbursement of any bonus or incentive compensation paid to the Executive if and to the extent that (i) the amount of incentive compensation was calculated based upon the achievement of certain financial results that were subsequently reduced due to a restatement, (ii) the Executive engaged in any fraud or misconduct that caused or significantly contributed to the need for the restatement, and (iii) the amount of the bonus or incentive compensation that would have been awarded to the Executive had the financial results been properly reported would have been lower than the amount actually awarded.

3. TERMINATION OF EMPLOYMENT.

(a) Notwithstanding Section 1, the Employment Period shall end upon the earliest to occur of (i) the Executive's death, (ii) a Termination due to Disability, (iii) a Termination for Cause, (iv) the Termination Date specified in connection with any exercise by the Company of its Termination Right; (v) a Termination for Good Reason; or (vi) the termination of this Agreement by Executive pursuant to Section 3(b). If the Employment Period terminates as of a date specified under this Section 3, the Executive agrees that, upon written request from the Company, the Executive shall resign from any and all positions the Executive holds with the Company and any of its subsidiaries and Affiliates, effective immediately following receipt of such request from the Company (or at such later date as the Company may specify).

(b) This Agreement may be terminated by the Executive at any time upon thirty (30) days prior written notice to the Company or upon such shorter period as may be agreed upon between the Executive and the Board. In the event of such termination, the Company shall be obligated only to continue to pay the Executive's salary and provide other benefits provided by this Agreement up to the date of the termination.

(c) **Benefits Payable Under Termination.**

(i) In the event of the Executive's death during the Employment Period or a Termination due to Disability, the Executive or the Executive's beneficiaries or legal representatives shall be provided the Unconditional Entitlements, including, but not limited to, any such Unconditional Entitlements that are or become payable under any Company plan, policy, practice or program or any contract or agreement with the Company by reason of the Executive's death or Termination due to Disability.

(ii) In the event of the Executive's Termination for Cause or termination by the Executive other than for a Termination for Good Reason, the Executive shall be provided the Unconditional Entitlements.

(iii) In the event of a Termination for Good Reason or the exercise by the Company of its Termination Rights, the Executive shall be provided the Unconditional Entitlements and, subject to Executive signing and delivering to the Company and not revoking a general release of claims in favor of the Company and certain related parties in substantially the form of EXHIBIT A attached hereto (the "*Release*"), the Company shall provide the Executive the Conditional Benefits. Any and all amounts payable and benefits or additional rights provided to the Executive upon a termination of the Executive's employment pursuant to this Section 3(c) (other than the Unconditional Entitlements) shall only be payable or provided if the Executive signs and delivers the Release within the consideration period identified in the Release and the Executive does not revoke the Release within the revocation period identified in the Release. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement, nor shall the amount of any payment hereunder be reduced by any compensation earned by the Executive as a result of employment by a subsequent employer.

(d) **Unconditional Entitlements.** For purposes of this Agreement, the "*Unconditional Entitlements*" to which the Executive may become entitled under Section 3(c) are as follows:

(i) ***Earned Amounts.*** The Earned Compensation shall be paid within thirty (30) days following the termination of the Executive's employment hereunder.

(ii) ***Benefits.*** All benefits payable to the Executive under any employee benefit plans (including, without limitation any pension plans or 401(k) plans) of the Company or any of its Affiliates applicable to the Executive at the time of termination of the Executive's employment with the Company and all amounts and benefits (other than the Conditional Benefits) which are vested or which the Executive is otherwise entitled to receive under the terms of or in accordance with any plan, policy, practice or program of, or any contract or agreement with, the Company, at or subsequent to the date of the Executive's termination without regard to the performance by the Executive of further services or the resolution of a contingency, shall be paid or provided in accordance with and subject to the terms and provisions of such plans, it being understood that all such benefits shall be determined on the basis of the actual date of termination of the Executive's employment with the Company.

(iii) **Indemnities.** Any right which the Executive may have to claim a defense and/or indemnity for liabilities to or claims asserted by third parties in connection with the Executive's activities as an officer, director or employee of the Company shall be unaffected by the Executive's termination of employment and shall remain in effect in accordance with its terms.

(iv) **Medical Coverage.** The Executive shall be entitled to such continuation of health care coverage as is required under, and in accordance with, applicable law or otherwise provided in accordance with the Company's policies. The Executive shall be notified in writing of the Executive's rights to continue such coverage after the termination of the Executive's employment pursuant to this Section 3(d)(iv), provided that the Executive timely complies with the conditions to continue such coverage. The Executive understands and acknowledges that the Executive is responsible to make all payments required for any such continued health care coverage that the Executive may choose to receive.

(v) **Business Expenses.** The Executive shall be entitled to reimbursement, in accordance with the Company's policies regarding expense reimbursement as in effect from time to time, for all business expenses incurred by the Executive prior to the termination of the Executive's employment.

(vi) **Stock Options/Equity Awards.** Except to the extent additional rights are provided upon the Executive's qualifying to receive the Conditional Benefits, the Executive's rights with respect to any stock options, restricted stock units and/or other equity awards granted to the Executive by the Company shall be governed by the terms and provisions of the plans (including plan rules) and award agreements pursuant to which such stock options and equity awards were awarded, as in effect at the date the Executive's employment terminated.

(e) **Conditional Benefits.** For purposes of this Agreement, the "**Conditional Benefits**" to which the Executive may become entitled are as follows:

(i) **Severance Amount.** The Company shall pay the Executive a lump sum amount equal to the Severance Amount. Subject to Section 3(c)(iii) above, the Severance Amount shall be paid on the date that is sixty (60) days after the Termination Date (or upon the Executive's death, if earlier).

(ii) **Equity Awards.** Any restricted stock unit or other equity award subject to vesting shall continue to vest in accordance with the terms of the Original Award Documents, regardless of the Executive's termination of employment. Except as otherwise expressly provided herein, all such restricted stock or other equity awards shall be subject to, and administered in accordance with, the Original Award Documents.

(iii) **Additional Distribution Rules.** Notwithstanding any other payment date or schedule provided in this Agreement to the contrary, if the Executive is deemed on the Termination Date of the Executive's employment to be a "specified employee" within the meaning of that term under Section 409A of the Code and the regulations thereunder ("**Section 409A**"), then each of the following shall apply:

(A) With regard to any payment that is considered "nonqualified deferred compensation" under Section 409A and payable on account of and within six months after a "separation from service" (within the meaning of Section 409A and as provided in Section 3(h) of this Agreement), such payment shall instead be made on the date which is the earlier of (1) the expiration of the six (6)-month period measured from the date of the Executive's "separation from service," and (2) the date of the Executive's death (the "**Delay Period**") to the extent required under Section 409A. Upon the expiration of the Delay Period, all payments delayed pursuant to this Section 3(d) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid to the Executive in a lump sum, and all remaining payments due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein; and

(B) To the extent that benefits to be provided during the Delay Period are considered "nonqualified deferred compensation" under Section 409A provided on account of a "separation from service," the Executive shall pay the cost of such benefits during the Delay Period, and the Company shall reimburse the Executive, to the extent that such costs would otherwise have been paid or reimbursed by the Company or to the extent that such benefits would otherwise have been provided by the Company at no cost to the Executive, for the Company's share of the cost of such benefits upon expiration of the Delay Period, and any remaining benefits shall be paid, reimbursed or provided by the Company in accordance with the procedures specified herein.

The foregoing provisions of this Section 3(e) shall not apply to any payments or benefits that are excluded from the definition of "nonqualified deferred compensation" under Section 409A, including, without limitation, payments excluded from the definition of "nonqualified deferred compensation" on account of being separation pay due to an involuntary separation from service under Treasury Regulation 1.409A-1(b)(9)(iii) or on account of being a "short-term deferral" under Treasury Regulation 1.409A-1(b)(4).

(f) **Definitions.** For purposes of this Agreement, the following terms shall have the meanings ascribed to them below:

(i) "**Affiliate**" means any corporation, partnership, limited liability company, trust or other entity which directly, or indirectly through one or more intermediaries, controls, is under common control with, or is controlled by, the Company.

(ii) "**Change in Control**" means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(A) any Exchange Act Person becomes the Owner, directly or indirectly, of securities of the Company representing more than 50% of the combined Voting Power of the Company's then outstanding securities other than by virtue of a merger, consolidation or similar transaction. Notwithstanding the foregoing, a Change in Control will not be deemed to occur (1) in connection with the issuance of securities of the Company as part of a joint venture or strategic partnership to which the Company is party, (2) on account of the acquisition of securities of the Company directly from the Company, (3) on account of the acquisition of securities of the Company by an investor, any affiliate thereof or any other

Exchange Act Person that acquires the Company's securities in a transaction or series of related transactions the primary purpose of which is to obtain financing for the Company through the issuance of equity securities, or (4) solely because the level of Ownership held by any Exchange Act Person (the "*Subject Person*") exceeds the designated percentage threshold of the outstanding Voting Securities as a result of a repurchase or other acquisition of Voting Securities by the Company reducing the number of shares outstanding, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by the Company, and after such share acquisition, the Subject Person becomes the Owner of any additional Voting Securities that, assuming the repurchase or other acquisition had not occurred, increases the percentage of the then outstanding Voting Securities Owned by the Subject Person over the designated percentage threshold, then a Change in Control will be deemed to occur;

(B) there is consummated a merger, consolidation or similar transaction involving (directly or indirectly) the Company and, immediately after the consummation of such merger, consolidation or similar transaction, the stockholders of the Company immediately prior thereto do not Own, directly or indirectly, either (1) outstanding Voting Securities representing more than 50% of the combined outstanding Voting Power of the surviving entity in such merger, consolidation or similar transaction or (2) more than 50% of the combined outstanding Voting Power of the parent of the surviving entity in such merger, consolidation or similar transaction, in each case in substantially the same proportions as their Ownership of the outstanding Voting Securities of the Company immediately prior to such transaction;

(C) there is consummated a sale, lease, exclusive license or other disposition of all or substantially all of the consolidated assets of the Company and its subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its subsidiaries to an entity, more than 50% of the combined Voting Power of the Voting Securities of which are Owned by stockholders of the Company in substantially the same proportions as their Ownership of the outstanding Voting Securities of the Company immediately prior to such sale, lease, license or other disposition; or

(D) individuals who, on the Commencement Date, are members of the Board (the "*Incumbent Board*") cease for any reason to constitute at least a majority of the members of the Board; *provided, however*, that if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member will, for purposes of this Agreement, be considered as a member of the Incumbent Board.

(iii) "*Code*" means the Internal Revenue Code of 1986, as amended and the rules and regulations promulgated thereunder.

(iv) "*Earned Compensation*" means any Annual Base Salary earned, but unpaid, for services rendered to the Company on or prior to the date on which the Employment Period ends pursuant to Section 3(a) (but excluding any salary and interest accrued thereon payment of which has been deferred).

(v) **“Exchange Act”** means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(vi) **“Exchange Act Person”** means any natural person, entity or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that “Exchange Act Person” will not include (A) the Company or any subsidiary of the Company, (B) any employee benefit plan of the Company or any subsidiary of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any subsidiary of the Company, (C) an underwriter temporarily holding securities pursuant to a registered public offering of such securities, or (D) an entity Owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their Ownership of stock of the Company.

(vii) **“Original Award Documents”** means, with respect to any restricted stock or other equity award, the terms and provisions of the award agreement related to and the plan governing, such restricted stock or other equity award, each as in effect on the Termination Date.

(viii) **“Own,” “Owned,” “Owner,” “Ownership”** means a person or entity will be deemed to “Own,” to have “Owned,” to be the “Owner” of, or to have acquired “Ownership” of securities if such person or entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares Voting Power, which includes the power to vote or to direct the voting, with respect to such securities.

(ix) **“Severance Amount”** means an amount equal to the greater of (A) the aggregate Annual Base Salary which would have been earned by the Executive under this Agreement for the period commencing on the day after the Termination Date and ending on the date of the end of the then applicable Employment Period, and (B) the severance amount payable to the Executive under the Company’s severance policy for executives generally.

(x) **“Termination for Cause”** means a termination of the Executive’s employment by the Company due to (A) an act or acts of dishonesty undertaken by the Executive and intended to result in substantial gain or personal enrichment to the Executive at the expense of the Company, (B) unlawful conduct or gross misconduct that is materially injurious to the Company, (C) the conviction of the Executive of, or the Executive’s entry of a no contest or *nolo contendere* plea to, a felony, (D) breach by the Executive of the Executive’s fiduciary obligations as an officer or director of the Company, (E) a persistent failure by the Executive to perform the duties and responsibilities of the Executive’s employment hereunder; or (F) material breach of any terms and conditions of any contract or agreement between Executive and the Company, or of any Company policy, or of any statutory duty Executive owes to the Company, which breach has not been cured by the Executive within ten days after written notice thereof to Executive from the Company.

(xi) **“Termination Date”** means the earlier to occur of (A) the date the Company specifies in writing to the Executive in connection with the exercise of its Termination Right or (B) the date the Executive specifies in writing to the Company in connection with any notice to effect a Termination for Good Reason. Notwithstanding the foregoing, a termination of

employment will not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits subject to Section 409A upon or following a termination of employment unless such termination is also a "separation from service" (within the meaning of Section 409A and as provided in Section 3(h) of this Agreement), and notwithstanding anything contained herein to the contrary, the date on which such separation from service takes place will be the Termination Date.

(xii) **"Termination due to Disability"** means a termination of the Executive's employment by the Company because the Executive has been incapable, after reasonable accommodation, of substantially fulfilling the positions, duties, responsibilities and obligations set forth in this Agreement because of physical, mental or emotional incapacity resulting from injury, sickness or disease for a period of (A) six (6) consecutive months or (B) an aggregate of nine (9) months (whether or not consecutive) in any twelve (12) month period. Any question as to the existence, extent or potentiality of the Executive's disability shall be determined by a qualified physician selected by the Company with the consent of the Executive, which consent shall not be unreasonably withheld. The Executive or the Executive's legal representatives or any adult member of the Executive's immediate family shall have the right to present to such physician such information and arguments as to the Executive's disability as he, she or they deem appropriate, including the opinion of the Executive's personal physician.

(xiii) **"Termination for Good Reason"** means a termination of the Executive's employment by the Executive within thirty (30) days of the Company's failure to cure, in accordance with the procedures set forth below, any of the following events: (A) a reduction in Executive's Annual Base Salary as in effect immediately prior to such reduction by more than ten percent (10%) without Executive's written consent, unless such reduction is made pursuant to an across the board reduction applicable to all senior executives of the Company; (B) a material reduction in the Executive's duties, position and responsibilities as in effect immediately prior to such reduction without Executive's written consent, provided, however, that a mere change in title or reporting relationship following a Change in Control by itself will not constitute "Good Reason" for Executive's resignation, and further provided that the acquisition of the Company and subsequent conversion of the Company to a division or unit of the acquiring entity will not by itself result in a "reduction" of duties, position or responsibility; (C) failure of the Company to renew the term of the Executive's employment pursuant to Section 1(b) of this Agreement; or (D) a material breach of any material provision of this Agreement by the Company. Notwithstanding the foregoing, a termination shall not be treated as a Termination for Good Reason (y) if the Executive shall have consented in writing to the occurrence of the event giving rise to the claim of Termination for Good Reason, or (z) unless (A) the Executive shall have delivered a written notice to the Board of Directors within ninety (90) days of the initial occurrence of one of such events stating that the Executive intends to terminate the Executive's employment for Good Reason and specifying the factual basis for such termination, (B) the Company shall not have cured such event within thirty (30) days of the receipt of such notice, and (C) the Executive shall have terminated his employment within thirty (30) days after expiration of the thirty (30) day cure period set forth in the foregoing clause (B).

(xiv) **"Termination Right"** means the right of the Company, in its sole, absolute and unfettered discretion, to terminate the Executive's employment under this Agreement for any reason or no reason whatsoever. For the avoidance of doubt, any

Termination for Cause effected by the Company shall not constitute the exercise of its Termination Right.

(xv) **"Voting Power"** means such number of Voting Securities as shall enable the holders thereof to cast all the votes which could be cast in an annual election of directors of a company.

(xvi) **"Voting Securities"** means all securities entitling the holders thereof to vote in an annual election of directors of a company.

(g) **Conflict with Plans.** As permitted under the terms of the applicable Plans, the Company and the Executive agree that the definitions of Termination for Cause or Termination for Good Reason set forth in this Section 3 shall apply in place of any similar definition or comparable concept applicable under the Plans (or any similar definition in any successor plan).

(h) **Section 409A.** It is intended that payments and benefits under this Agreement either be excluded from or comply with the requirements of Section 409A and the guidance issued thereunder and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted consistent with such intent. In the event that any provision of this Agreement is subject to but fails to comply with Section 409A, the Company may revise the terms of the provision to correct such noncompliance to the extent permitted under any guidance, procedure or other method promulgated by the Internal Revenue Service now or in the future or otherwise available that provides for such correction as a means to avoid or mitigate any taxes, interest or penalties that would otherwise be incurred by the Executive on account of such noncompliance. Provided, however, that in no event whatsoever shall the Company be liable for any additional tax, interest or penalty imposed upon or other detriment suffered by the Executive under Section 409A or damages for failing to comply with Section 409A. Solely for purposes of determining the time and form of payments due the Executive under this Agreement (including any payments due under Sections 3(c) or 5) or otherwise in connection with the Executive's termination of employment with the Company, the Executive shall not be deemed to have incurred a termination of employment unless and until the Executive shall incur a "separation from service" within the meaning of Section 409A. The parties agree, as permitted in accordance with the final regulations thereunder, a "separation from service" shall occur when the Executive and the Company reasonably anticipate that the Executive's level of bona fide services for the Company (whether as an employee or an independent contractor) will permanently decrease to no more than forty (40) percent of the average level of bona fide services performed by the Executive for the Company over the immediately preceding thirty six (36) months. The determination of whether and when a separation from service has occurred shall be made in accordance with this subparagraph and in a manner consistent with Treasury Regulation Section 1.409A-1(h). All reimbursements and in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A to the extent that such reimbursements or in-kind benefits are subject to Section 409A, including, where applicable, the requirements that (i) any reimbursement is for expenses incurred during the Executive's lifetime (or during a shorter period of time specified in this Agreement), (ii) the amount of expenses eligible for reimbursement (and the in-kind benefits to be provided) during a calendar year may not affect the expenses eligible for reimbursement (and the in-kind benefits to be provided) in any other

calendar year, (iii) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the year in which the expense is incurred and (iv) the right to reimbursement (or in-kind benefits) is not subject to set off or liquidation or exchange for any other benefit. For purposes of Section 409A, the Executive's right to any installment payments under this Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., "payment shall be made within ninety (90) days following the date of termination"), the actual date of payment within the specified period shall be within the sole discretion of the Company.

4. **EXECUTIVE REMEDY.** The Executive shall be under no obligation to seek other employment or other engagement of the Executive's services. The Executive acknowledges and agrees that the payment and rights provided under Section 3 are fair and reasonable, and are the Executive's sole and exclusive remedy, in lieu of all other remedies at law or in equity, for termination of the Executive's employment by the Company upon exercise of its Termination Right pursuant to this Agreement or upon a Termination for Good Reason.

5. **ADDITIONAL PAYMENTS FOLLOWING A CHANGE IN CONTROL.**

(a) If, during the Employment Period and within two (2) years after a Change in Control, the Company shall terminate the Executive's employment other than due to the Executive's death, a Termination for Cause, a Termination due to Disability or if the Executive shall effect a Termination for Good Reason:

(i) the Company shall pay to the Executive, in a lump sum in cash within thirty (30) days after the Termination Date, the aggregate of the following amounts:

(A) the cash portion of the Unconditional Entitlements; and

(B) the amount equal to the product of 2.99 times the sum of (y) the Annual Base Salary, and (z) the greater of the target bonus for the then current fiscal year under the Plans or any successor annual bonus plan and the average annual bonus paid to or for the benefit of the Executive for the prior three (3) full years (or any shorter period during which the Executive has been employed by the Company); and

(ii) the Company shall provide the Executive the Conditional Benefits minus the Severance Amount.

(b) If any payment or benefit (including payments and benefits pursuant to this Agreement) the Executive would receive in connection with a Change in Control from the Company or otherwise (the "**Payment**") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this paragraph, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then the Company shall cause to be determined, before any amounts of the Payment are paid to the Executive, which of the following two alternative forms of payment shall be paid to the Executive: (A) payment in full of the entire amount of the Payment (a "**Full Payment**"), or (B) payment of only a part of the Payment so that Executive receives the largest payment possible without the imposition of the Excise Tax (a "**Reduced Payment**"). A Full Payment shall be made in the event that the amount

received by the Executive on a net after-tax basis is greater than what would be received by the Executive on a net after-tax basis if the Reduced Payment were made, otherwise a Reduced Payment shall be made. If a Reduced Payment is made, (i) the Payment shall be paid only to the extent permitted under the Reduced Payment alternative, and the Executive shall have no rights to any additional payments and/or benefits constituting the Payment, and (ii) reduction in payments and/or benefits shall occur in the following order: (A) reduction of cash payments; (B) cancellation of accelerated vesting of equity awards other than stock options; (C) cancellation of accelerated vesting of stock options; and (D) reduction of other benefits paid to Executive. In the event that acceleration of compensation from the Executive's equity awards is to be reduced, such acceleration of vesting shall be canceled in the reverse order of the date of grant.

(c) The independent registered public accounting firm engaged by the Company for general audit purposes as of the day prior to the effective date of the Change in Control, or a nationally recognized law firm, shall make all determinations required to be made under this Section 5. If the independent registered public accounting firm or nationally recognized law firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, the Company shall appoint a nationally recognized law firm or independent registered public accounting firm or law firm to make the determinations required hereunder. The Company shall bear all expenses with respect to the determinations by such independent registered public accounting firm required to be made hereunder.

(d) The independent registered public accounting firm or law firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to the Company and the Executive within fifteen (15) calendar days after the date on which Executive's right to a Payment is triggered (if requested at that time by the Company or Executive) or such other time as requested by the Company or Executive. Any good faith determinations of the accounting firm or law firm made hereunder shall be final, binding and conclusive upon the Company and Executive.

(e) The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment.

6. CONFIDENTIALITY.

(a) **Confidentiality.** Without the prior written consent of the Company, except (y) as reasonably necessary in the course of carrying out the Executive's duties hereunder or (z) to the extent required by an order of a court having competent jurisdiction or under subpoena from an appropriate government agency, the Executive shall not disclose any Confidential Information unless such Confidential Information has been previously disclosed to the public by the Company or has otherwise become available to the public (other than by reason of the Executive's breach of this Section 6(a)). The term "**Confidential Information**" shall

include, but shall not be limited to: (i) the identities of the existing and prospective customers or clients of the Company and its Affiliates, including names, addresses, credit status, and pricing levels; (ii) the buying and selling habits and customs of existing and prospective customers or clients of the Company and its Affiliates; (iii) financial information about the Company and its Affiliates; (iv) product and systems specifications, concepts for new or improved products and other product or systems data; (v) the identities of, and special skills possessed by, employees of the Company and its Affiliates; (vi) the identities of and pricing information about the suppliers and vendors of the Company and its Affiliates; (vii) training programs developed by the Company or its Affiliates; (viii) pricing studies, information and analyses; (ix) current and prospective products and inventories; (x) financial models, business projections and market studies; (xi) the financial results and business conditions of the Company and its Affiliates; (xii) business plans and strategies of the Company and its Affiliates; (xiii) special processes, procedures, and services of suppliers and vendors of the Company and its Affiliates; and (xiv) computer programs and software developed by the Company or its Affiliates.

(b) **Company Property.** Promptly following the Executive's termination of employment, the Executive shall return to the Company all property of the Company, and all copies thereof in the Executive's possession or under the Executive's control, except that the Executive may retain the Executive's personal notes, diaries, rolodexes, mobile devices, calendars and correspondence of a personal nature. All business procured by Executive and all related business opportunities and plans made known to Executive while Executive is employed by or providing services to the Company shall remain the permanent and exclusive property of the Company.

(c) **Nonsolicitation.** The Executive agrees that, while the Executive is employed by the Company and during the one-year period following the Executive's termination of employment with the Company (the "**Restricted Period**"), the Executive shall not directly or indirectly, (i) solicit any individual who is, on the Termination Date (or was, during the six-month period prior to the Termination Date), employed by the Company or its Affiliates to terminate or refrain from renewing or extending such employment or to become employed by or become a consultant to any other individual or entity other than the Company or its Affiliates or (ii) induce or attempt to induce any customer or investor (in each case, whether former, current or prospective), supplier, licensee or other business relation of the Company or any of its affiliates to cease doing business with the Company or such Affiliate, or in any way interfere with the relationship between any such customer, investor, supplier, licensee or business relation, on the one hand, and the Company or any of its Affiliates, on the other hand.

(d) **Noncompetition.** The Executive agrees that, during the Restricted Period, the Executive will not engage in Competition (as defined below). The Executive shall be deemed to be engaging in "**Competition**" if he, directly or indirectly, anywhere in the continental United States in which the Company conducts business or has plans to conduct business, owns, manages, operates, controls or participates in the ownership, management, operation or control of or is connected as an officer, employee, partner, director, consultant or otherwise with, or has any financial interest in, any business (whether through a corporation or other entity) engaged in any business activity that could be deemed to be competitive with one or more of the principal lines of business conducted by the Company and its Affiliates, taken as a whole. Ownership for

personal investment purposes only of less than 2% of the voting stock of any publicly held corporation shall not constitute a violation hereof.

(e) **Equitable Remedies.** The Executive acknowledges that the Company would be irreparably injured by a violation of Section 6 and the Executive agrees that the Company, in addition to any other remedies available to it for such breach or threatened breach, on meeting the standards required by law, shall be entitled to a preliminary injunction, temporary restraining order, or other equivalent relief, restraining the Executive from any actual or threatened breach of Section 6. If a bond is required to be posted in order for the Company to secure an injunction or other equitable remedy, the parties agree that said bond need not be more than a nominal sum.

(f) **Employee Proprietary Information and Inventions Assignment.** The terms of that certain Employee Proprietary Information, Inventions Assignment and Non-Competition Agreement between the Executive and the Company are hereby incorporated by reference (the "*Invention Assignment Agreement*"). To the extent that there are any conflicts between the terms and conditions of the Invention Assignment Agreement and this Agreement, the terms and conditions of this Agreement shall control. All non-conflicting terms of the Invention Assignment Agreement are hereby expressly preserved.

(g) **Severability; Blue Pencil.** The Executive acknowledges and agrees that the Executive has had the opportunity to seek advice of counsel in connection with this Agreement and the restrictive covenants contained herein are reasonable in geographical scope temporal duration and in all other respects. If it is determined that any provision of this Section 6 is invalid or unenforceable, the remainder of the provisions of this Section 6 shall not thereby be affected and shall be given full effect, without regard to the invalid portions. If any court or other decision-maker of competent jurisdiction determines that any of the covenants in this Section 6 is unenforceable because of the duration or geographic scope of such provision, then after such determination becomes final and unappealable, the duration or scope of such provision, as the case may be, shall be reduced so that such provision becomes enforceable, and in its reduced form, such provision shall be enforced.

7. SUCCESSORS.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns and any party acting in the form of a receiver or trustee capacity.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such

succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

8. MISCELLANEOUS.

(a) This Agreement shall be construed, and the rights and obligations of the parties hereunder determined, in accordance with the substantive laws of the State of Michigan, without regard to its conflict-of-laws principles. For the purposes of any suit, action or proceeding based upon, arising out of or relating to this Agreement or the negotiation, execution or performance hereof, the parties hereby expressly submit to the jurisdiction of all federal and state courts sitting within the confines of the Federal Eastern District of Michigan (the "*Venue Area*") and consent that any order, process, notice of motion or other application to or by any such court or a judge thereof may be served within or without such court's jurisdiction by registered mail or by personal service in accordance with Section 8(b). The parties agree that such courts shall have the exclusive jurisdiction over any such suit, action or proceeding commenced by either or both of said parties. Each party hereby irrevocably waives any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding based upon, arising out of or relating to this Agreement or the negotiation, execution or performance hereof, brought in any federal or state court sitting within the confines of the Venue Area and hereby further irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive, to the address maintained in the Company's records.

If to the Company: Conifer Holdings, Inc.
550 West Merrill Street, Suite 200
Birmingham, Michigan 48009
Attn: General Counsel
Telephone: (248) 559-0840

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) From and after the Commencement Date, the Company shall cover the Executive under directors' and officers' liability insurance both during and, while potential

liability exists, after the Employment Period in the same amount and to the same extent as the Company covers its other executive officers and directors.

(e) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(f) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to effect a Termination for Good Reason shall not be deemed to be a waiver of such provision of right or any other provision or right of this Agreement.

(g) This Agreement, the Invention Assignment Agreement, and all agreements, documents, instruments, schedules, exhibits or certificates prepared in connection herewith, represent the entire understanding and agreement between the parties with respect to the subject matter hereof, supersede all prior agreements or negotiations between such parties and may be amended, supplemented or changed only by an agreement in writing which makes specific reference to this Agreement or the agreement or document delivered pursuant hereto, as the case may be, and which is signed by the party against whom enforcement of any such amendment, supplement or modification is sought.

SIGNATURES ON THE FOLLOWING PAGE

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

THE EXECUTIVE:


NICHOLAS J. PETCOFF

THE COMPANY:

CONIFER HOLDINGS, INC.

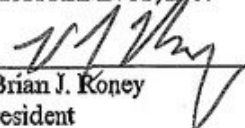
By: 
Name: Brian J. Koney
Title: President

EXHIBIT A

FORM OF WAIVER AND RELEASE

PLEASE READ THIS WAIVER AND RELEASE CAREFULLY.—IT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS UP TO AND INCLUDING THE DATE OF EXECUTION OF THIS WAIVER AND RELEASE.

1. For and in consideration of the payments and other benefits due to [Insert Name] (the "*Executive*") pursuant to that certain Employment Agreement (the "*Employment Agreement*") dated [date], by and between **CONIFER HOLDINGS, INC.**, a Michigan corporation (the "*Company*"), and the Executive, and for other good and valuable consideration, including the mutual promises made herein, the Executive and the Company irrevocably and unconditionally release and forever discharge each other and each and all of their present and former officers, agents, directors, managers, employees, representatives, affiliates, shareholders, members, and each of their successors, heirs and assigns, and all persons acting by, through, under or in concert with it, and in each case individually and in their official capacities (collectively, the "*Released Parties*"), from any and all charges, complaints, grievances, claims and liabilities of any kind or nature whatsoever, known or unknown, suspected or unsuspected (hereinafter referred to as "*claim*" or "*claims*") which either party at any time heretofore had or claimed to have or which either party may have or claim to have regarding events that have occurred up to and including the date of the execution of this Release, including, without limitation, any and all claims related, in any manner, to the Executive's employment or the termination thereof. In particular, each party understands and agrees that the parties' release includes, without limitation, all matters arising under any federal, state, or local law, including civil rights laws and regulations prohibiting employment discrimination on the basis of race, color, religion, age, sex, national origin, ancestry, disability, medical condition, veteran status, marital status and sexual orientation, or any other characteristic protected by federal, state or local law including, but not limited to, claims under Title VII of the Civil Rights Act of 1964, as amended, the Age Discrimination in Employment Act of 1967, as amended, the Older Workers Benefit Protection Act of 1990, as amended, the Americans with Disabilities Act, the Rehabilitation Act, the Occupational Safety and Health Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act of 1974, as amended (except as to vested retirement benefits, if any), the Worker Adjustment and Retraining Notification Act, federal and state wage and hour laws, or any common law, public policy, contract (whether oral or written, express or implied) or tort law, or any other federal, state or local law, regulation, ordinance or rule having any bearing whatsoever.

2. **The Executive must sign and return this Release to the Company on or before the 30th day following the Termination Date (as defined in the Employment Agreement). The Executive can revoke this Release on or before the seventh day following the date of delivery of this Release to the Company, by sending written notification of the Executive's intent to revoke this Release to the Company. This Release shall not become effective or enforceable until the seven-day revocation period has expired. All correspondence pursuant to this Section 2 must be sent to the attention of the Corporate Secretary at [____], by personal delivery or guaranteed overnight delivery.**

3. The Executive and the Company acknowledge that they may have sustained losses that are currently unknown or unsuspected, and that such damages or losses could give rise to additional causes of action, claims, demands and debts in the future. Nevertheless, the Executive and the Company each acknowledge that this Release has been agreed upon in light of this realization and, being fully aware of this situation, the Executive and the Company nevertheless intend to release each other from any and all such unknown claims, including damages which are unknown or unanticipated. The parties understand the word "claims" to include all actions, claims, and grievances, whether actual or potential, known or unknown, and specifically but not exclusively all claims arising out of the Executive's employment and the termination thereof. All such "claims" (including related attorneys' fees and costs) are forever barred by this Release and without regard to whether those claims are based on any alleged breach of a duty arising in a statute, contract, or tort; any alleged unlawful act, including, without limitation, age discrimination; any other claim or cause of action; and regardless of the forum in which it might be brought.

4. Notwithstanding anything else herein to the contrary, this Release shall not affect, and the Executive and the Company, as applicable, do not waive or release: (a) rights to indemnification the Executive may have under (i) applicable law, (ii) any other agreement between the Executive and a Released Party and (iii) as an insured under any director's and officer's liability or other insurance policy now or previously in force; (b) any right the Executive may have to obtain contribution in the event of the entry of judgment against the Executive as a result of any act or failure to act for which both the Executive and any of the Company or its affiliates or subsidiaries (collectively, the "*Affiliated Entities*") are or may be jointly responsible; (c) the Executive's rights to benefits and payments under any stock options, restricted stock, restricted stock units or other incentive plans or under any retirement plan, welfare benefit plan or other benefit or deferred compensation plan, all of which shall remain in effect in accordance with the terms and provisions of such benefit and/or incentive plans and any agreements under which such stock options, restricted shares, restricted stock units or other awards or incentives were granted or benefits were made available; (d) the Executive's rights as a shareholder of any of the Affiliated Entities; (e) any obligations of the Affiliated Entities under the Employment Agreement; (f) claims for improper self-dealing; improper distributions and other limitations imposed by applicable law; (g) any finally and judicially determined, knowing violation of the law by the Executive that has a material and adverse impact on the Company; (h) any fraud or other intentional misconduct by the Executive that has a material and adverse impact on the Company; (i) any material violation of any confidentiality, nonsolicitation or noncompetition agreement or provision executed by the Executive; or (j) any other claim not subject to release by operation of law.

5. The Executive acknowledges and agrees that the Executive: (a) has been given at least 21 days within which to consider this Release and its ramifications and discuss the terms of this Release with the Company before executing it (and that any modification of this Release, whether material or immaterial, will not restart or change the original 21-day consideration period) and the Executive fully understands that by signing below the Executive is voluntarily giving up any right which the Executive may have to sue or bring any other claims against the Released Parties; (b) has been given seven days after delivering this Release to the Company to revoke this Release; (c) has been advised to consult legal counsel regarding the terms of this Release; (d) has carefully read and fully understands all of the provisions of this Release;

(e) knowingly and voluntarily agrees to all of the terms set forth in this Release; and (f) knowingly and voluntarily intends to be legally bound by the same. The Executive also understands that, notwithstanding anything in this Release to the contrary, nothing in this Release shall be construed to prohibit the Executive from (y) filing a charge or complaint with the Equal Employment Opportunity Commission or any other federal, state or local administrative or regulatory agency, or (z) participating in any investigation or proceedings conducted by the Equal Employment Opportunity Commission or any other federal, state or local administrative or regulatory agency; however, the Executive expressly waives the right to any relief of any kind in the event that the Equal Employment Opportunity Commission or any other federal, state or local administrative or regulatory agency pursues any claim on the Executive's behalf.

6. This Release is final and binding and may not be changed or modified except in a writing signed by both parties.

[INSERT NAME]

Dated: _____

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "*Agreement*") is made effective as of the 13th day of March, 2017 (the "*Commencement Date*"), by and between CONIFER HOLDINGS, INC., a Michigan corporation (the "*Company*") and JAMES G. PETCOFF (the "*Executive*").

BACKGROUND

The Board of Directors of the Company (the "*Board*") has determined that it is in the best interests of the Company and its stockholders to employ the Executive. The Company and the Executive desire to enter into this Agreement to set forth the terms and conditions of the Executive's employment relationship. This Agreement shall represent the entire understanding and agreement between the parties with respect to the Executive's employment with the Company.

NOW, THEREFORE, in consideration of the foregoing and the terms and conditions set forth herein, the parties agree as follows:

TERMS AND CONDITIONS

1. EMPLOYMENT PERIOD.

(a) This Agreement shall be effective concurrently with the Commencement Date.

(b) The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company, subject to the terms and conditions of this Agreement, for the period commencing on the Commencement Date and ending on the first anniversary of the Commencement Date (the "*Initial Term*"). The term of this Agreement will automatically be renewed for a term of one (1) year (each, a "*Renewal Term*") at the end of the Initial Term and at the end of each Renewal Term thereafter, provided that (a) the Executive does not notify the Board of its intention not to renew this Agreement at least thirty (30) days prior (the "*Renewal Date*") to the expiration of the Initial Term or any Renewal Term and (b) the Board does not notify the Executive of its intention not to renew this Agreement on or prior to the Renewal Date. For purposes of this Agreement, "*Employment Period*" includes the Initial Term and any Renewal Term(s) thereafter.

2. TERMS OF EMPLOYMENT.

(a) Position and Duties.

(i) During the Employment Period, the Executive shall serve as the Chairman and Chief Executive Officer of the Company, and in such other position or positions with the Company and its subsidiaries as are consistent with the Executive's positions as Chairman and Chief Executive Officer of the Company, and shall have such duties and responsibilities as are assigned to the Executive by the Board consistent with the Executive's position as Chief Executive Officer of the Company. Subject to Section 3(c), the Company may

make changes to the Executive's roles, responsibilities and reporting from time to time without advance notice to accommodate its business interest and this Agreement will continue to apply after such changes.

(ii) During the Employment Period, and excluding any periods of paid time off or other leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours and on a full-time basis to the business and affairs of the Company, to discharge the responsibilities assigned to the Executive hereunder, and to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) be employed by the Company or any of its subsidiaries or Affiliates, (B) serve on corporate, civic or charitable boards or committees, and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement.

(b) **Compensation.**

(i) **Base Salary.** During the Employment Period, the Executive shall receive an annual base salary (the "**Annual Base Salary**") at least equal to \$550,000, which shall be paid in accordance with the Company's normal payroll practices for senior executive officers of the Company as in effect from time to time. During the Employment Period, the Annual Base Salary shall be reviewed at least annually, and may be adjusted by the Compensation Committee of the Company's Board of Directors (the "**Compensation Committee**"). The term "Annual Base Salary" as utilized in this Agreement shall refer to the Annual Base Salary as so adjusted.

(ii) **Annual Cash Bonus.** In addition to the Annual Base Salary, for each fiscal year ending during the Employment Period, the Executive shall be eligible for an annual cash bonus (the "**Annual Bonus**") as determined by the Compensation Committee. Each such Annual Bonus awarded to the Executive shall be paid sometime during the first seventy-five (75) days of the fiscal year next following the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect, in compliance with Treasury Regulation 1.409A-2(a), to defer the receipt of such Annual Bonus. Executive must be employed with the Company in good standing on the payment date of the Annual Bonus to earn and be eligible to receive the Annual Bonus.

(iii) **Long-Term Incentive Equity Compensation.** During the Employment Period, the Executive shall be entitled to participate in any stock option, performance share, restricted stock unit or other equity based long-term incentive compensation plan, program or arrangement (the "**Plans**") generally made available to senior executive officers of the Company, on substantially the same terms and conditions as generally apply to such other officers, except that the size of the awards made to the Executive shall reflect the Executive's position with the Company and the Compensation Committee's views.

(iv) **Welfare Benefit Plans.** During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs

provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent available generally or to other senior executive officers of the Company.

(v) **Expenses.** During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the plans, practices, policies and programs of the Company.

(vi) **Vacation.** During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the plans, practices, policies and programs of the Company consistent with the treatment of other senior executive officers of the Company. Up to ten (10) days shall roll over to the next year, if not used during any calendar year. Other than as required by applicable law, upon termination of Executive's employment for any reason, the Company will not pay any accrued or unused vacation time.

(c) **Recoupment of Unearned Incentive Compensation.** If the Board, or an appropriate committee thereof, determines that any fraud, negligence, or intentional misconduct by the Executive is a significant contributing factor to the Company having to restate all or a portion of its financial statements, the Board or committee may require reimbursement of any bonus or incentive compensation paid to the Executive if and to the extent that (i) the amount of incentive compensation was calculated based upon the achievement of certain financial results that were subsequently reduced due to a restatement, (ii) the Executive engaged in any fraud or misconduct that caused or significantly contributed to the need for the restatement, and (iii) the amount of the bonus or incentive compensation that would have been awarded to the Executive had the financial results been properly reported would have been lower than the amount actually awarded.

3. TERMINATION OF EMPLOYMENT.

(a) Notwithstanding Section 1, the Employment Period shall end upon the earliest to occur of (i) the Executive's death, (ii) a Termination due to Disability, (iii) a Termination for Cause, (iv) the Termination Date specified in connection with any exercise by the Company of its Termination Right; (v) a Termination for Good Reason; or (vi) the termination of this Agreement by Executive pursuant to Section 3(b). If the Employment Period terminates as of a date specified under this Section 3, the Executive agrees that, upon written request from the Company, the Executive shall resign from any and all positions the Executive holds with the Company and any of its subsidiaries and Affiliates, effective immediately following receipt of such request from the Company (or at such later date as the Company may specify).

(b) This Agreement may be terminated by the Executive at any time upon thirty (30) days prior written notice to the Company or upon such shorter period as may be agreed upon between the Executive and the Board. In the event of such termination, the Company shall be obligated only to continue to pay the Executive's salary and provide other benefits provided by this Agreement up to the date of the termination.

(c) **Benefits Payable Under Termination.**

(i) In the event of the Executive's death during the Employment Period or a Termination due to Disability, the Executive or the Executive's beneficiaries or legal representatives shall be provided the Unconditional Entitlements, including, but not limited to, any such Unconditional Entitlements that are or become payable under any Company plan, policy, practice or program or any contract or agreement with the Company by reason of the Executive's death or Termination due to Disability.

(ii) In the event of the Executive's Termination for Cause or termination by the Executive other than for a Termination for Good Reason, the Executive shall be provided the Unconditional Entitlements.

(iii) In the event of a Termination for Good Reason or the exercise by the Company of its Termination Rights, the Executive shall be provided the Unconditional Entitlements and, subject to Executive signing and delivering to the Company and not revoking a general release of claims in favor of the Company and certain related parties in substantially the form of EXHIBIT A attached hereto (the "*Release*"), the Company shall provide the Executive the Conditional Benefits. Any and all amounts payable and benefits or additional rights provided to the Executive upon a termination of the Executive's employment pursuant to this Section 3(c) (other than the Unconditional Entitlements) shall only be payable or provided if the Executive signs and delivers the Release within the consideration period identified in the Release and the Executive does not revoke the Release within the revocation period identified in the Release. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement, nor shall the amount of any payment hereunder be reduced by any compensation earned by the Executive as a result of employment by a subsequent employer.

(d) **Unconditional Entitlements.** For purposes of this Agreement, the "*Unconditional Entitlements*" to which the Executive may become entitled under Section 3(c) are as follows:

(i) **Earned Amounts.** The Earned Compensation shall be paid within thirty (30) days following the termination of the Executive's employment hereunder.

(ii) **Benefits.** All benefits payable to the Executive under any employee benefit plans (including, without limitation any pension plans or 401(k) plans) of the Company or any of its Affiliates applicable to the Executive at the time of termination of the Executive's employment with the Company and all amounts and benefits (other than the Conditional Benefits) which are vested or which the Executive is otherwise entitled to receive under the terms of or in accordance with any plan, policy, practice or program of, or any contract or agreement with, the Company, at or subsequent to the date of the Executive's termination without regard to the performance by the Executive of further services or the resolution of a contingency, shall be paid or provided in accordance with and subject to the terms and provisions of such plans, it being understood that all such benefits shall be determined on the basis of the actual date of termination of the Executive's employment with the Company.

(iii) **Indemnities.** Any right which the Executive may have to claim a defense and/or indemnity for liabilities to or claims asserted by third parties in connection with the Executive's activities as an officer, director or employee of the Company shall be unaffected by the Executive's termination of employment and shall remain in effect in accordance with its terms.

(iv) **Medical Coverage.** The Executive shall be entitled to such continuation of health care coverage as is required under, and in accordance with, applicable law or otherwise provided in accordance with the Company's policies. The Executive shall be notified in writing of the Executive's rights to continue such coverage after the termination of the Executive's employment pursuant to this Section 3(d)(iv), provided that the Executive timely complies with the conditions to continue such coverage. The Executive understands and acknowledges that the Executive is responsible to make all payments required for any such continued health care coverage that the Executive may choose to receive.

(v) **Business Expenses.** The Executive shall be entitled to reimbursement, in accordance with the Company's policies regarding expense reimbursement as in effect from time to time, for all business expenses incurred by the Executive prior to the termination of the Executive's employment.

(vi) **Stock Options/Equity Awards.** Except to the extent additional rights are provided upon the Executive's qualifying to receive the Conditional Benefits, the Executive's rights with respect to any stock options, restricted stock units and/or other equity awards granted to the Executive by the Company shall be governed by the terms and provisions of the plans (including plan rules) and award agreements pursuant to which such stock options and equity awards were awarded, as in effect at the date the Executive's employment terminated.

(e) **Conditional Benefits.** For purposes of this Agreement, the "**Conditional Benefits**" to which the Executive may become entitled are as follows:

(i) **Severance Amount.** The Company shall pay the Executive a lump sum amount equal to the Severance Amount. Subject to Section 3(c)(iii) above, the Severance Amount shall be paid on the date that is sixty (60) days after the Termination Date (or upon the Executive's death, if earlier).

(ii) **Equity Awards.** Any restricted stock unit or other equity award subject to vesting shall continue to vest in accordance with the terms of the Original Award Documents, regardless of the Executive's termination of employment. Except as otherwise expressly provided herein, all such restricted stock or other equity awards shall be subject to, and administered in accordance with, the Original Award Documents.

(iii) **Additional Distribution Rules.** Notwithstanding any other payment date or schedule provided in this Agreement to the contrary, if the Executive is deemed on the Termination Date of the Executive's employment to be a "specified employee" within the meaning of that term under Section 409A of the Code and the regulations thereunder ("**Section 409A**"), then each of the following shall apply:

(A) With regard to any payment that is considered "nonqualified deferred compensation" under Section 409A and payable on account of and within six months after a "separation from service" (within the meaning of Section 409A and as provided in Section 3(h) of this Agreement), such payment shall instead be made on the date which is the earlier of (1) the expiration of the six (6)-month period measured from the date of the Executive's "separation from service," and (2) the date of the Executive's death (the "*Delay Period*") to the extent required under Section 409A. Upon the expiration of the Delay Period, all payments delayed pursuant to this Section 3(d) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid to the Executive in a lump sum, and all remaining payments due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein; and

(B) To the extent that benefits to be provided during the Delay Period are considered "nonqualified deferred compensation" under Section 409A provided on account of a "separation from service," the Executive shall pay the cost of such benefits during the Delay Period, and the Company shall reimburse the Executive, to the extent that such costs would otherwise have been paid or reimbursed by the Company or to the extent that such benefits would otherwise have been provided by the Company at no cost to the Executive, for the Company's share of the cost of such benefits upon expiration of the Delay Period, and any remaining benefits shall be paid, reimbursed or provided by the Company in accordance with the procedures specified herein.

The foregoing provisions of this Section 3(e) shall not apply to any payments or benefits that are excluded from the definition of "nonqualified deferred compensation" under Section 409A, including, without limitation, payments excluded from the definition of "nonqualified deferred compensation" on account of being separation pay due to an involuntary separation from service under Treasury Regulation 1.409A-1(b)(9)(iii) or on account of being a "short-term deferral" under Treasury Regulation 1.409A-1(b)(4).

(f) **Definitions.** For purposes of this Agreement, the following terms shall have the meanings ascribed to them below:

(i) "*Affiliate*" means any corporation, partnership, limited liability company, trust or other entity which directly, or indirectly through one or more intermediaries, controls, is under common control with, or is controlled by, the Company.

(ii) "*Change in Control*" means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(A) any Exchange Act Person becomes the Owner, directly or indirectly, of securities of the Company representing more than 50% of the combined Voting Power of the Company's then outstanding securities other than by virtue of a merger, consolidation or similar transaction. Notwithstanding the foregoing, a Change in Control will not be deemed to occur (1) in connection with the issuance of securities of the Company as part of a joint venture or strategic partnership to which the Company is party, (2) on account of the acquisition of securities of the Company directly from the Company, (3) on account of the acquisition of securities of the Company by an investor, any affiliate thereof or any other

Exchange Act Person that acquires the Company's securities in a transaction or series of related transactions the primary purpose of which is to obtain financing for the Company through the issuance of equity securities, or (4) solely because the level of Ownership held by any Exchange Act Person (the "**Subject Person**") exceeds the designated percentage threshold of the outstanding Voting Securities as a result of a repurchase or other acquisition of Voting Securities by the Company reducing the number of shares outstanding, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by the Company, and after such share acquisition, the Subject Person becomes the Owner of any additional Voting Securities that, assuming the repurchase or other acquisition had not occurred, increases the percentage of the then outstanding Voting Securities Owned by the Subject Person over the designated percentage threshold, then a Change in Control will be deemed to occur;

(B) there is consummated a merger, consolidation or similar transaction involving (directly or indirectly) the Company and, immediately after the consummation of such merger, consolidation or similar transaction, the stockholders of the Company immediately prior thereto do not Own, directly or indirectly, either (1) outstanding Voting Securities representing more than 50% of the combined outstanding Voting Power of the surviving entity in such merger, consolidation or similar transaction or (2) more than 50% of the combined outstanding Voting Power of the parent of the surviving entity in such merger, consolidation or similar transaction, in each case in substantially the same proportions as their Ownership of the outstanding Voting Securities of the Company immediately prior to such transaction;

(C) there is consummated a sale, lease, exclusive license or other disposition of all or substantially all of the consolidated assets of the Company and its subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its subsidiaries to an entity, more than 50% of the combined Voting Power of the Voting Securities of which are Owned by stockholders of the Company in substantially the same proportions as their Ownership of the outstanding Voting Securities of the Company immediately prior to such sale, lease, license or other disposition; or

(D) individuals who, on the Commencement Date, are members of the Board (the "**Incumbent Board**") cease for any reason to constitute at least a majority of the members of the Board; *provided, however*, that if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member will, for purposes of this Agreement, be considered as a member of the Incumbent Board.

(iii) "**Code**" means the Internal Revenue Code of 1986, as amended and the rules and regulations promulgated thereunder.

(iv) "**Earned Compensation**" means any Annual Base Salary earned, but unpaid, for services rendered to the Company on or prior to the date on which the Employment Period ends pursuant to Section 3(a) (but excluding any salary and interest accrued thereon payment of which has been deferred).

(v) **“Exchange Act”** means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(vi) **“Exchange Act Person”** means any natural person, entity or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that “Exchange Act Person” will not include (A) the Company or any subsidiary of the Company, (B) any employee benefit plan of the Company or any subsidiary of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any subsidiary of the Company, (C) an underwriter temporarily holding securities pursuant to a registered public offering of such securities, or (D) an entity Owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their Ownership of stock of the Company.

(vii) **“Original Award Documents”** means, with respect to any restricted stock or other equity award, the terms and provisions of the award agreement related to and the plan governing, such restricted stock or other equity award, each as in effect on the Termination Date.

(viii) **“Own,” “Owned,” “Owner,” “Ownership”** means a person or entity will be deemed to “Own,” to have “Owned,” to be the “Owner” of, or to have acquired “Ownership” of securities if such person or entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares Voting Power, which includes the power to vote or to direct the voting, with respect to such securities.

(ix) **“Severance Amount”** means an amount equal to the greater of (A) the aggregate Annual Base Salary which would have been earned by the Executive under this Agreement for the period commencing on the day after the Termination Date and ending on the date of the end of the then applicable Employment Period, and (B) the severance amount payable to the Executive under the Company’s severance policy for executives generally.

(x) **“Termination for Cause”** means a termination of the Executive’s employment by the Company due to (A) an act or acts of dishonesty undertaken by the Executive and intended to result in substantial gain or personal enrichment to the Executive at the expense of the Company, (B) unlawful conduct or gross misconduct that is materially injurious to the Company, (C) the conviction of the Executive of, or the Executive’s entry of a no contest or *nolo contendere* plea to, a felony, (D) breach by the Executive of the Executive’s fiduciary obligations as an officer or director of the Company, (E) a persistent failure by the Executive to perform the duties and responsibilities of the Executive’s employment hereunder; or (F) material breach of any terms and conditions of any contract or agreement between Executive and the Company, or of any Company policy, or of any statutory duty Executive owes to the Company, which breach has not been cured by the Executive within ten days after written notice thereof to Executive from the Company.

(xi) **“Termination Date”** means the earlier to occur of (A) the date the Company specifies in writing to the Executive in connection with the exercise of its Termination Right or (B) the date the Executive specifies in writing to the Company in connection with any notice to effect a Termination for Good Reason. Notwithstanding the foregoing, a termination of

employment will not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits subject to Section 409A upon or following a termination of employment unless such termination is also a "separation from service" (within the meaning of Section 409A and as provided in Section 3(h) of this Agreement), and notwithstanding anything contained herein to the contrary, the date on which such separation from service takes place will be the Termination Date.

(xii) **"Termination due to Disability"** means a termination of the Executive's employment by the Company because the Executive has been incapable, after reasonable accommodation, of substantially fulfilling the positions, duties, responsibilities and obligations set forth in this Agreement because of physical, mental or emotional incapacity resulting from injury, sickness or disease for a period of (A) six (6) consecutive months or (B) an aggregate of nine (9) months (whether or not consecutive) in any twelve (12) month period. Any question as to the existence, extent or potentiality of the Executive's disability shall be determined by a qualified physician selected by the Company with the consent of the Executive, which consent shall not be unreasonably withheld. The Executive or the Executive's legal representatives or any adult member of the Executive's immediate family shall have the right to present to such physician such information and arguments as to the Executive's disability as he, she or they deem appropriate, including the opinion of the Executive's personal physician.

(xiii) **"Termination for Good Reason"** means a termination of the Executive's employment by the Executive within thirty (30) days of the Company's failure to cure, in accordance with the procedures set forth below, any of the following events: (A) a reduction in Executive's Annual Base Salary as in effect immediately prior to such reduction by more than ten percent (10%) without Executive's written consent, unless such reduction is made pursuant to an across the board reduction applicable to all senior executives of the Company; (B) a material reduction in the Executive's duties, position and responsibilities as in effect immediately prior to such reduction without Executive's written consent, provided, however, that a mere change in title or reporting relationship following a Change in Control by itself will not constitute "Good Reason" for Executive's resignation, and further provided that the acquisition of the Company and subsequent conversion of the Company to a division or unit of the acquiring entity will not by itself result in a "reduction" of duties, position or responsibility; (C) failure of the Company to renew the term of the Executive's employment pursuant to Section 1(b) of this Agreement; or (D) a material breach of any material provision of this Agreement by the Company. Notwithstanding the foregoing, a termination shall not be treated as a Termination for Good Reason (y) if the Executive shall have consented in writing to the occurrence of the event giving rise to the claim of Termination for Good Reason, or (z) unless (A) the Executive shall have delivered a written notice to the Board of Directors within ninety (90) days of the initial occurrence of one of such events stating that the Executive intends to terminate the Executive's employment for Good Reason and specifying the factual basis for such termination, (B) the Company shall not have cured such event within thirty (30) days of the receipt of such notice, and (C) the Executive shall have terminated his employment within thirty (30) days after expiration of the thirty (30) day cure period set forth in the foregoing clause (B).

(xiv) **"Termination Right"** means the right of the Company, in its sole, absolute and unfettered discretion, to terminate the Executive's employment under this Agreement for any reason or no reason whatsoever. For the avoidance of doubt, any

Termination for Cause effected by the Company shall not constitute the exercise of its Termination Right.

(xv) **"Voting Power"** means such number of Voting Securities as shall enable the holders thereof to cast all the votes which could be cast in an annual election of directors of a company.

(xvi) **"Voting Securities"** means all securities entitling the holders thereof to vote in an annual election of directors of a company.

(g) **Conflict with Plans.** As permitted under the terms of the applicable Plans, the Company and the Executive agree that the definitions of Termination for Cause or Termination for Good Reason set forth in this Section 3 shall apply in place of any similar definition or comparable concept applicable under the Plans (or any similar definition in any successor plan).

(h) **Section 409A.** It is intended that payments and benefits under this Agreement either be excluded from or comply with the requirements of Section 409A and the guidance issued thereunder and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted consistent with such intent. In the event that any provision of this Agreement is subject to but fails to comply with Section 409A, the Company may revise the terms of the provision to correct such noncompliance to the extent permitted under any guidance, procedure or other method promulgated by the Internal Revenue Service now or in the future or otherwise available that provides for such correction as a means to avoid or mitigate any taxes, interest or penalties that would otherwise be incurred by the Executive on account of such noncompliance. Provided, however, that in no event whatsoever shall the Company be liable for any additional tax, interest or penalty imposed upon or other detriment suffered by the Executive under Section 409A or damages for failing to comply with Section 409A. Solely for purposes of determining the time and form of payments due the Executive under this Agreement (including any payments due under Sections 3(c) or 5) or otherwise in connection with the Executive's termination of employment with the Company, the Executive shall not be deemed to have incurred a "separation from service" within the meaning of Section 409A. The parties agree, as permitted in accordance with the final regulations thereunder, a "separation from service" shall occur when the Executive and the Company reasonably anticipate that the Executive's level of bona fide services for the Company (whether as an employee or an independent contractor) will permanently decrease to no more than forty (40) percent of the average level of bona fide services performed by the Executive for the Company over the immediately preceding thirty six (36) months. The determination of whether and when a separation from service has occurred shall be made in accordance with this subparagraph and in a manner consistent with Treasury Regulation Section 1.409A-1(h). All reimbursements and in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A to the extent that such reimbursements or in-kind benefits are subject to Section 409A, including, where applicable, the requirements that (i) any reimbursement is for expenses incurred during the Executive's lifetime (or during a shorter period of time specified in this Agreement), (ii) the amount of expenses eligible for reimbursement (and the in-kind benefits to be provided) during a calendar year may not affect the expenses eligible for reimbursement (and the in-kind benefits to be provided) in any other

calendar year, (iii) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the year in which the expense is incurred and (iv) the right to reimbursement (or in-kind benefits) is not subject to set off or liquidation or exchange for any other benefit. For purposes of Section 409A, the Executive's right to any installment payments under this Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., "payment shall be made within ninety (90) days following the date of termination"), the actual date of payment within the specified period shall be within the sole discretion of the Company.

4. **EXECUTIVE REMEDY.** The Executive shall be under no obligation to seek other employment or other engagement of the Executive's services. The Executive acknowledges and agrees that the payment and rights provided under Section 3 are fair and reasonable, and are the Executive's sole and exclusive remedy, in lieu of all other remedies at law or in equity, for termination of the Executive's employment by the Company upon exercise of its Termination Right pursuant to this Agreement or upon a Termination for Good Reason.

5. **ADDITIONAL PAYMENTS FOLLOWING A CHANGE IN CONTROL.**

(a) If, during the Employment Period and within two (2) years after a Change in Control, the Company shall terminate the Executive's employment other than due to the Executive's death, a Termination for Cause, a Termination due to Disability or if the Executive shall effect a Termination for Good Reason:

(i) the Company shall pay to the Executive, in a lump sum in cash within thirty (30) days after the Termination Date, the aggregate of the following amounts:

(A) the cash portion of the Unconditional Entitlements; and

(B) the amount equal to the product of 2.99 times the sum of (y) the Annual Base Salary, and (z) the greater of the target bonus for the then current fiscal year under the Plans or any successor annual bonus plan and the average annual bonus paid to or for the benefit of the Executive for the prior three (3) full years (or any shorter period during which the Executive has been employed by the Company); and

(ii) the Company shall provide the Executive the Conditional Benefits minus the Severance Amount.

(b) If any payment or benefit (including payments and benefits pursuant to this Agreement) the Executive would receive in connection with a Change in Control from the Company or otherwise (the "**Payment**") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this paragraph, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then the Company shall cause to be determined, before any amounts of the Payment are paid to the Executive, which of the following two alternative forms of payment shall be paid to the Executive: (A) payment in full of the entire amount of the Payment (a "**Full Payment**"), or (B) payment of only a part of the Payment so that Executive receives the largest payment possible without the imposition of the Excise Tax (a "**Reduced Payment**"). A Full Payment shall be made in the event that the amount

received by the Executive on a net after-tax basis is greater than what would be received by the Executive on a net after-tax basis if the Reduced Payment were made, otherwise a Reduced Payment shall be made. If a Reduced Payment is made, (i) the Payment shall be paid only to the extent permitted under the Reduced Payment alternative, and the Executive shall have no rights to any additional payments and/or benefits constituting the Payment, and (ii) reduction in payments and/or benefits shall occur in the following order: (A) reduction of cash payments; (B) cancellation of accelerated vesting of equity awards other than stock options; (C) cancellation of accelerated vesting of stock options; and (D) reduction of other benefits paid to Executive. In the event that acceleration of compensation from the Executive's equity awards is to be reduced, such acceleration of vesting shall be canceled in the reverse order of the date of grant.

(c) The independent registered public accounting firm engaged by the Company for general audit purposes as of the day prior to the effective date of the Change in Control, or a nationally recognized law firm, shall make all determinations required to be made under this Section 5. If the independent registered public accounting firm or nationally recognized law firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, the Company shall appoint a nationally recognized law firm or independent registered public accounting firm or law firm to make the determinations required hereunder. The Company shall bear all expenses with respect to the determinations by such independent registered public accounting firm required to be made hereunder.

(d) The independent registered public accounting firm or law firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to the Company and the Executive within fifteen (15) calendar days after the date on which Executive's right to a Payment is triggered (if requested at that time by the Company or Executive) or such other time as requested by the Company or Executive. Any good faith determinations of the accounting firm or law firm made hereunder shall be final, binding and conclusive upon the Company and Executive.

(e) The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment.

6. CONFIDENTIALITY.

(a) **Confidentiality.** Without the prior written consent of the Company, except (y) as reasonably necessary in the course of carrying out the Executive's duties hereunder or (z) to the extent required by an order of a court having competent jurisdiction or under subpoena from an appropriate government agency, the Executive shall not disclose any Confidential Information unless such Confidential Information has been previously disclosed to the public by the Company or has otherwise become available to the public (other than by reason of the Executive's breach of this Section 6(a)). The term "**Confidential Information**" shall

include, but shall not be limited to: (i) the identities of the existing and prospective customers or clients of the Company and its Affiliates, including names, addresses, credit status, and pricing levels; (ii) the buying and selling habits and customs of existing and prospective customers or clients of the Company and its Affiliates; (iii) financial information about the Company and its Affiliates; (iv) product and systems specifications, concepts for new or improved products and other product or systems data; (v) the identities of, and special skills possessed by, employees of the Company and its Affiliates; (vi) the identities of and pricing information about the suppliers and vendors of the Company and its Affiliates; (vii) training programs developed by the Company or its Affiliates; (viii) pricing studies, information and analyses; (ix) current and prospective products and inventories; (x) financial models, business projections and market studies; (xi) the financial results and business conditions of the Company and its Affiliates; (xii) business plans and strategies of the Company and its Affiliates; (xiii) special processes, procedures, and services of suppliers and vendors of the Company and its Affiliates; and (xiv) computer programs and software developed by the Company or its Affiliates.

(b) Company Property. Promptly following the Executive's termination of employment, the Executive shall return to the Company all property of the Company, and all copies thereof in the Executive's possession or under the Executive's control, except that the Executive may retain the Executive's personal notes, diaries, rolodexes, mobile devices, calendars and correspondence of a personal nature. All business procured by Executive and all related business opportunities and plans made known to Executive while Executive is employed by or providing services to the Company shall remain the permanent and exclusive property of the Company.

(c) Nonsolicitation. The Executive agrees that, while the Executive is employed by the Company and during the one-year period following the Executive's termination of employment with the Company (the "**Restricted Period**"), the Executive shall not directly or indirectly, (i) solicit any individual who is, on the Termination Date (or was, during the six-month period prior to the Termination Date), employed by the Company or its Affiliates to terminate or refrain from renewing or extending such employment or to become employed by or become a consultant to any other individual or entity other than the Company or its Affiliates or (ii) induce or attempt to induce any customer or investor (in each case, whether former, current or prospective), supplier, licensee or other business relation of the Company or any of its affiliates to cease doing business with the Company or such Affiliate, or in any way interfere with the relationship between any such customer, investor, supplier, licensee or business relation, on the one hand, and the Company or any of its Affiliates, on the other hand.

(d) Noncompetition. The Executive agrees that, during the Restricted Period, the Executive will not engage in Competition (as defined below). The Executive shall be deemed to be engaging in "**Competition**" if he, directly or indirectly, anywhere in the continental United States in which the Company conducts business or has plans to conduct business, owns, manages, operates, controls or participates in the ownership, management, operation or control of or is connected as an officer, employee, partner, director, consultant or otherwise with, or has any financial interest in, any business (whether through a corporation or other entity) engaged in any business activity that could be deemed to be competitive with one or more of the principal lines of business conducted by the Company and its Affiliates, taken as a whole. Ownership for

personal investment purposes only of less than 2% of the voting stock of any publicly held corporation shall not constitute a violation hereof.

(e) **Equitable Remedies.** The Executive acknowledges that the Company would be irreparably injured by a violation of Section 6 and the Executive agrees that the Company, in addition to any other remedies available to it for such breach or threatened breach, on meeting the standards required by law, shall be entitled to a preliminary injunction, temporary restraining order, or other equivalent relief, restraining the Executive from any actual or threatened breach of Section 6. If a bond is required to be posted in order for the Company to secure an injunction or other equitable remedy, the parties agree that said bond need not be more than a nominal sum.

(f) **Employee Proprietary Information and Inventions Assignment.** The terms of that certain Employee Proprietary Information, Inventions Assignment and Non-Competition Agreement between the Executive and the Company are hereby incorporated by reference (the "*Invention Assignment Agreement*"). To the extent that there are any conflicts between the terms and conditions of the Invention Assignment Agreement and this Agreement, the terms and conditions of this Agreement shall control. All non-conflicting terms of the Invention Assignment Agreement are hereby expressly preserved.

(g) **Severability; Blue Pencil.** The Executive acknowledges and agrees that the Executive has had the opportunity to seek advice of counsel in connection with this Agreement and the restrictive covenants contained herein are reasonable in geographical scope temporal duration and in all other respects. If it is determined that any provision of this Section 6 is invalid or unenforceable, the remainder of the provisions of this Section 6 shall not thereby be affected and shall be given full effect, without regard to the invalid portions. If any court or other decision-maker of competent jurisdiction determines that any of the covenants in this Section 6 is unenforceable because of the duration or geographic scope of such provision, then after such determination becomes final and unappealable, the duration or scope of such provision, as the case may be, shall be reduced so that such provision becomes enforceable, and in its reduced form, such provision shall be enforced.

7. SUCCESSORS.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns and any party acting in the form of a receiver or trustee capacity.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such

succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

~~8. MISCELLANEOUS.~~

(a) This Agreement shall be construed, and the rights and obligations of the parties hereunder determined, in accordance with the substantive laws of the State of Michigan, without regard to its conflict-of-laws principles. For the purposes of any suit, action or proceeding based upon, arising out of or relating to this Agreement or the negotiation, execution or performance hereof, the parties hereby expressly submit to the jurisdiction of all federal and state courts sitting within the confines of the Federal Eastern District of Michigan (the "*Venue Area*") and consent that any order, process, notice of motion or other application to or by any such court or a judge thereof may be served within or without such court's jurisdiction by registered mail or by personal service in accordance with Section 8(b). The parties agree that such courts shall have the exclusive jurisdiction over any such suit, action or proceeding commenced by either or both of said parties. Each party hereby irrevocably waives any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding based upon, arising out of or relating to this Agreement or the negotiation, execution or performance hereof, brought in any federal or state court sitting within the confines of the Venue Area and hereby further irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive, to the address maintained in the Company's records.

If to the Company: Conifer Holdings, Inc.
550 West Merrill Street, Suite 200
Birmingham, Michigan 48009
Attn: General Counsel
Telephone: (248) 559-0840

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) From and after the Commencement Date, the Company shall cover the Executive under directors' and officers' liability insurance both during and, while potential

liability exists, after the Employment Period in the same amount and to the same extent as the Company covers its other executive officers and directors.

(e) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(f) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to effect a Termination for Good Reason shall not be deemed to be a waiver of such provision of right or any other provision or right of this Agreement.

(g) This Agreement, the Invention Assignment Agreement, and all agreements, documents, instruments, schedules, exhibits or certificates prepared in connection herewith, represent the entire understanding and agreement between the parties with respect to the subject matter hereof, supersede all prior agreements or negotiations between such parties and may be amended, supplemented or changed only by an agreement in writing which makes specific reference to this Agreement or the agreement or document delivered pursuant hereto, as the case may be, and which is signed by the party against whom enforcement of any such amendment, supplement or modification is sought.

SIGNATURES ON THE FOLLOWING PAGE

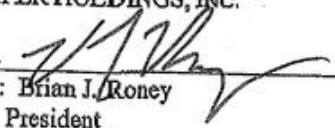
IN WITNESS WHEREOF, the Company and the Executive have executed this Agreement as of the date first above written.

THE EXECUTIVE:


JAMES G. PETCOFF

THE COMPANY:

CONIFER HOLDINGS, INC.

By: 
Name: Brian J. Roney
Title: President

SIGNATURE PAGE TO EMPLOYMENT AGREEMENT

EXHIBIT A

FORM OF WAIVER AND RELEASE

PLEASE READ THIS WAIVER AND RELEASE CAREFULLY. IT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS UP TO AND INCLUDING THE DATE OF EXECUTION OF THIS WAIVER AND RELEASE.

1. For and in consideration of the payments and other benefits due to [Insert Name] (the "*Executive*") pursuant to that certain Employment Agreement (the "*Employment Agreement*") dated [date], by and between **CONIFER HOLDINGS, INC.**, a Michigan corporation (the "*Company*"), and the Executive, and for other good and valuable consideration, including the mutual promises made herein, the Executive and the Company irrevocably and unconditionally release and forever discharge each other and each and all of their present and former officers, agents, directors, managers, employees, representatives, affiliates, shareholders, members, and each of their successors, heirs and assigns, and all persons acting by, through, under or in concert with it, and in each case individually and in their official capacities (collectively, the "*Released Parties*"), from any and all charges, complaints, grievances, claims and liabilities of any kind or nature whatsoever, known or unknown, suspected or unsuspected (hereinafter referred to as "*claim*" or "*claims*") which either party at any time heretofore had or claimed to have or which either party may have or claim to have regarding events that have occurred up to and including the date of the execution of this Release, including, without limitation, any and all claims related, in any manner, to the Executive's employment or the termination thereof. In particular, each party understands and agrees that the parties' release includes, without limitation, all matters arising under any federal, state, or local law, including civil rights laws and regulations prohibiting employment discrimination on the basis of race, color, religion, age, sex, national origin, ancestry, disability, medical condition, veteran status, marital status and sexual orientation, or any other characteristic protected by federal, state or local law including, but not limited to, claims under Title VII of the Civil Rights Act of 1964, as amended, the Age Discrimination in Employment Act of 1967, as amended, the Older Workers Benefit Protection Act of 1990, as amended, the Americans with Disabilities Act, the Rehabilitation Act, the Occupational Safety and Health Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act of 1974, as amended (except as to vested retirement benefits, if any), the Worker Adjustment and Retraining Notification Act, federal and state wage and hour laws, or any common law, public policy, contract (whether oral or written, express or implied) or tort law, or any other federal, state or local law, regulation, ordinance or rule having any bearing whatsoever.

2. The Executive must sign and return this Release to the Company on or before the 30th day following the Termination Date (as defined in the Employment Agreement). The Executive can revoke this Release on or before the seventh day following the date of delivery of this Release to the Company, by sending written notification of the Executive's intent to revoke this Release to the Company. This Release shall not become effective or enforceable until the seven-day revocation period has expired. All correspondence pursuant to this Section 2 must be sent to the attention of the Corporate Secretary at [____], by personal delivery or guaranteed overnight delivery.

3. The Executive and the Company acknowledge that they may have sustained losses that are currently unknown or unsuspected, and that such damages or losses could give rise to additional causes of action, claims, demands and debts in the future. Nevertheless, the Executive and the Company each acknowledge that this Release has been agreed upon in light of this realization and, being fully aware of this situation, the Executive and the Company nevertheless intend to release each other from any and all such unknown claims, including damages which are unknown or unanticipated. The parties understand the word "claims" to include all actions, claims, and grievances, whether actual or potential, known or unknown, and specifically but not exclusively all claims arising out of the Executive's employment and the termination thereof. All such "claims" (including related attorneys' fees and costs) are forever barred by this Release and without regard to whether those claims are based on any alleged breach of a duty arising in a statute, contract, or tort; any alleged unlawful act, including, without limitation, age discrimination; any other claim or cause of action; and regardless of the forum in which it might be brought.

4. Notwithstanding anything else herein to the contrary, this Release shall not affect, and the Executive and the Company, as applicable, do not waive or release: (a) rights to indemnification the Executive may have under (i) applicable law, (ii) any other agreement between the Executive and a Released Party and (iii) as an insured under any director's and officer's liability or other insurance policy now or previously in force; (b) any right the Executive may have to obtain contribution in the event of the entry of judgment against the Executive as a result of any act or failure to act for which both the Executive and any of the Company or its affiliates or subsidiaries (collectively, the "*Affiliated Entities*") are or may be jointly responsible; (c) the Executive's rights to benefits and payments under any stock options, restricted stock, restricted stock units or other incentive plans or under any retirement plan, welfare benefit plan or other benefit or deferred compensation plan, all of which shall remain in effect in accordance with the terms and provisions of such benefit and/or incentive plans and any agreements under which such stock options, restricted shares, restricted stock units or other awards or incentives were granted or benefits were made available; (d) the Executive's rights as a shareholder of any of the Affiliated Entities; (e) any obligations of the Affiliated Entities under the Employment Agreement; (f) claims for improper self-dealing; improper distributions and other limitations imposed by applicable law; (g) any finally and judicially determined, knowing violation of the law by the Executive that has a material and adverse impact on the Company; (h) any fraud or other intentional misconduct by the Executive that has a material and adverse impact on the Company; (i) any material violation of any confidentiality, nonsolicitation or noncompetition agreement or provision executed by the Executive; or (j) any other claim not subject to release by operation of law.

5. The Executive acknowledges and agrees that the Executive: (a) has been given at least 21 days within which to consider this Release and its ramifications and discuss the terms of this Release with the Company before executing it (and that any modification of this Release, whether material or immaterial, will not restart or change the original 21-day consideration period) and the Executive fully understands that by signing below the Executive is voluntarily giving up any right which the Executive may have to sue or bring any other claims against the Released Parties; (b) has been given seven days after delivering this Release to the Company to revoke this Release; (c) has been advised to consult legal counsel regarding the terms of this Release; (d) has carefully read and fully understands all of the provisions of this Release;

(e) knowingly and voluntarily agrees to all of the terms set forth in this Release; and (f) knowingly and voluntarily intends to be legally bound by the same. The Executive also understands that, notwithstanding anything in this Release to the contrary, nothing in this Release shall be construed to prohibit the Executive from (y) filing a charge or complaint with the Equal Employment Opportunity Commission or any other federal, state or local administrative or regulatory agency, or (z) participating in any investigation or proceedings conducted by the Equal Employment Opportunity Commission or any other federal, state or local administrative or regulatory agency; however, the Executive expressly waives the right to any relief of any kind in the event that the Equal Employment Opportunity Commission or any other federal, state or local administrative or regulatory agency pursues any claim on the Executive's behalf.

6. This Release is final and binding and may not be changed or modified except in a writing signed by both parties.

[INSERT NAME]

Dated: _____

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "*Agreement*") is made effective as of the 13th day of March, 2017 (the "*Commencement Date*"), by and between CONIFER HOLDINGS, INC., a Michigan corporation (the "*Company*") and ANDREW D. PETCOFF (the "*Executive*").

BACKGROUND

The Board of Directors of the Company (the "*Board*") has determined that it is in the best interests of the Company and its stockholders to employ the Executive. The Company and the Executive desire to enter into this Agreement to set forth the terms and conditions of the Executive's employment relationship. This Agreement shall represent the entire understanding and agreement between the parties with respect to the Executive's employment with the Company.

NOW, THEREFORE, in consideration of the foregoing and the terms and conditions set forth herein, the parties agree as follows:

TERMS AND CONDITIONS

1. EMPLOYMENT PERIOD.

(a) This Agreement shall be effective concurrently with the Commencement Date.

(b) The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company, subject to the terms and conditions of this Agreement, for the period commencing on the Commencement Date and ending on the first anniversary of the Commencement Date (the "*Initial Term*"). The term of this Agreement will automatically be renewed for a term of one (1) year (each, a "*Renewal Term*") at the end of the Initial Term and at the end of each Renewal Term thereafter, provided that (a) the Executive does not notify the Board of its intention not to renew this Agreement at least thirty (30) days prior (the "*Renewal Date*") to the expiration of the Initial Term or any Renewal Term and (b) the Board does not notify the Executive of its intention not to renew this Agreement on or prior to the Renewal Date. For purposes of this Agreement, "*Employment Period*" includes the Initial Term and any Renewal Term(s) thereafter.

2. TERMS OF EMPLOYMENT.

(a) Position and Duties.

(i) During the Employment Period, the Executive shall serve as the Senior Vice President of the Company, and in such other position or positions with the Company and its subsidiaries as are consistent with the Executive's position as Senior Vice President of the Company, and shall have such duties and responsibilities as are assigned to the Executive by the Board consistent with the Executive's position as Senior Vice President of the Company. Subject to Section 3(c), the Company may make changes to the Executive's roles,

responsibilities and reporting from time to time without advance notice to accommodate its business interest and this Agreement will continue to apply after such changes.

(ii) During the Employment Period, and excluding any periods of paid ~~time off or other leave~~ to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours and on a full-time basis to the business and affairs of the Company, to discharge the responsibilities assigned to the Executive hereunder, and to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) be employed by the Company or any of its subsidiaries or Affiliates, (B) serve on corporate, civic or charitable boards or committees, and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement.

(b) Compensation.

(i) **Base Salary.** During the Employment Period, the Executive shall receive an annual base salary (the "**Annual Base Salary**") at least equal to \$400,000, which shall be paid in accordance with the Company's normal payroll practices for senior executive officers of the Company as in effect from time to time. During the Employment Period, the Annual Base Salary shall be reviewed at least annually, and may be adjusted by the Compensation Committee of the Company's Board of Directors (the "**Compensation Committee**"). The term "Annual Base Salary" as utilized in this Agreement shall refer to the Annual Base Salary as so adjusted.

(ii) **Annual Cash Bonus.** In addition to the Annual Base Salary, for each fiscal year ending during the Employment Period, the Executive shall be eligible for an annual cash bonus (the "**Annual Bonus**") as determined by the Compensation Committee. Each such Annual Bonus awarded to the Executive shall be paid sometime during the first seventy-five (75) days of the fiscal year next following the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect, in compliance with Treasury Regulation 1.409A-2(a), to defer the receipt of such Annual Bonus. Executive must be employed with the Company in good standing on the payment date of the Annual Bonus to earn and be eligible to receive the Annual Bonus.

(iii) **Long-Term Incentive Equity Compensation.** During the Employment Period, the Executive shall be entitled to participate in any stock option, performance share, restricted stock unit or other equity based long-term incentive compensation plan, program or arrangement (the "**Plans**") generally made available to senior executive officers of the Company, on substantially the same terms and conditions as generally apply to such other officers, except that the size of the awards made to the Executive shall reflect the Executive's position with the Company and the Compensation Committee's views.

(iv) **Welfare Benefit Plans.** During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical,

prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent available generally or to other senior executive officers of the Company.

(v) **Expenses.** During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the plans, practices, policies and programs of the Company.

(vi) **Vacation.** During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the plans, practices, policies and programs of the Company consistent with the treatment of other senior executive officers of the Company. Up to ten (10) days shall roll over to the next year, if not used during any calendar year. Other than as required by applicable law, upon termination of Executive's employment for any reason, the Company will not pay any accrued or unused vacation time.

(c) **Recoupment of Unearned Incentive Compensation.** If the Board, or an appropriate committee thereof, determines that any fraud, negligence, or intentional misconduct by the Executive is a significant contributing factor to the Company having to restate all or a portion of its financial statements, the Board or committee may require reimbursement of any bonus or incentive compensation paid to the Executive if and to the extent that (i) the amount of incentive compensation was calculated based upon the achievement of certain financial results that were subsequently reduced due to a restatement, (ii) the Executive engaged in any fraud or misconduct that caused or significantly contributed to the need for the restatement, and (iii) the amount of the bonus or incentive compensation that would have been awarded to the Executive had the financial results been properly reported would have been lower than the amount actually awarded.

3. TERMINATION OF EMPLOYMENT.

(a) Notwithstanding Section 1, the Employment Period shall end upon the earliest to occur of (i) the Executive's death, (ii) a Termination due to Disability, (iii) a Termination for Cause, (iv) the Termination Date specified in connection with any exercise by the Company of its Termination Right; (v) a Termination for Good Reason; or (vi) the termination of this Agreement by Executive pursuant to Section 3(b). If the Employment Period terminates as of a date specified under this Section 3, the Executive agrees that, upon written request from the Company, the Executive shall resign from any and all positions the Executive holds with the Company and any of its subsidiaries and Affiliates, effective immediately following receipt of such request from the Company (or at such later date as the Company may specify).

(b) This Agreement may be terminated by the Executive at any time upon thirty (30) days prior written notice to the Company or upon such shorter period as may be agreed upon between the Executive and the Board. In the event of such termination, the Company shall be obligated only to continue to pay the Executive's salary and provide other benefits provided by this Agreement up to the date of the termination.

(c) **Benefits Payable Under Termination.**

(i) In the event of the Executive's death during the Employment Period or a Termination due to Disability, the Executive or the Executive's beneficiaries or legal representatives shall be provided the Unconditional Entitlements, including, but not limited to, any such Unconditional Entitlements that are or become payable under any Company plan, policy, practice or program or any contract or agreement with the Company by reason of the Executive's death or Termination due to Disability.

(ii) In the event of the Executive's Termination for Cause or termination by the Executive other than for a Termination for Good Reason, the Executive shall be provided the Unconditional Entitlements.

(iii) In the event of a Termination for Good Reason or the exercise by the Company of its Termination Rights, the Executive shall be provided the Unconditional Entitlements and, subject to Executive signing and delivering to the Company and not revoking a general release of claims in favor of the Company and certain related parties in substantially the form of EXHIBIT A attached hereto (the "*Release*"), the Company shall provide the Executive the Conditional Benefits. Any and all amounts payable and benefits or additional rights provided to the Executive upon a termination of the Executive's employment pursuant to this Section 3(c) (other than the Unconditional Entitlements) shall only be payable or provided if the Executive signs and delivers the Release within the consideration period identified in the Release and the Executive does not revoke the Release within the revocation period identified in the Release. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement, nor shall the amount of any payment hereunder be reduced by any compensation earned by the Executive as a result of employment by a subsequent employer.

(d) **Unconditional Entitlements.** For purposes of this Agreement, the "*Unconditional Entitlements*" to which the Executive may become entitled under Section 3(c) are as follows:

(i) ***Earned Amounts.*** The Earned Compensation shall be paid within thirty (30) days following the termination of the Executive's employment hereunder.

(ii) ***Benefits.*** All benefits payable to the Executive under any employee benefit plans (including, without limitation any pension plans or 401(k) plans) of the Company or any of its Affiliates applicable to the Executive at the time of termination of the Executive's employment with the Company and all amounts and benefits (other than the Conditional Benefits) which are vested or which the Executive is otherwise entitled to receive under the terms of or in accordance with any plan, policy, practice or program of, or any contract or agreement with, the Company, at or subsequent to the date of the Executive's termination without regard to the performance by the Executive of further services or the resolution of a contingency, shall be paid or provided in accordance with and subject to the terms and provisions of such plans, it being understood that all such benefits shall be determined on the basis of the actual date of termination of the Executive's employment with the Company.

(iii) **Indemnities.** Any right which the Executive may have to claim a defense and/or indemnity for liabilities to or claims asserted by third parties in connection with the Executive's activities as an officer, director or employee of the Company shall be unaffected by the Executive's termination of employment and shall remain in effect in accordance with its terms.

(iv) **Medical Coverage.** The Executive shall be entitled to such continuation of health care coverage as is required under, and in accordance with, applicable law or otherwise provided in accordance with the Company's policies. The Executive shall be notified in writing of the Executive's rights to continue such coverage after the termination of the Executive's employment pursuant to this Section 3(d)(iv), provided that the Executive timely complies with the conditions to continue such coverage. The Executive understands and acknowledges that the Executive is responsible to make all payments required for any such continued health care coverage that the Executive may choose to receive.

(v) **Business Expenses.** The Executive shall be entitled to reimbursement, in accordance with the Company's policies regarding expense reimbursement as in effect from time to time, for all business expenses incurred by the Executive prior to the termination of the Executive's employment.

(vi) **Stock Options/Equity Awards.** Except to the extent additional rights are provided upon the Executive's qualifying to receive the Conditional Benefits, the Executive's rights with respect to any stock options, restricted stock units and/or other equity awards granted to the Executive by the Company shall be governed by the terms and provisions of the plans (including plan rules) and award agreements pursuant to which such stock options and equity awards were awarded, as in effect at the date the Executive's employment terminated.

(e) **Conditional Benefits.** For purposes of this Agreement, the "**Conditional Benefits**" to which the Executive may become entitled are as follows:

(i) **Severance Amount.** The Company shall pay the Executive a lump sum amount equal to the Severance Amount. Subject to Section 3(c)(iii) above, the Severance Amount shall be paid on the date that is sixty (60) days after the Termination Date (or upon the Executive's death, if earlier).

(ii) **Equity Awards.** Any restricted stock unit or other equity award subject to vesting shall continue to vest in accordance with the terms of the Original Award Documents, regardless of the Executive's termination of employment. Except as otherwise expressly provided herein, all such restricted stock or other equity awards shall be subject to, and administered in accordance with, the Original Award Documents.

(iii) **Additional Distribution Rules.** Notwithstanding any other payment date or schedule provided in this Agreement to the contrary, if the Executive is deemed on the Termination Date of the Executive's employment to be a "specified employee" within the meaning of that term under Section 409A of the Code and the regulations thereunder ("**Section 409A**"), then each of the following shall apply:

(A) With regard to any payment that is considered "nonqualified deferred compensation" under Section 409A and payable on account of and within six months after a "separation from service" (within the meaning of Section 409A and as provided in Section 3(h) of this Agreement), such payment shall instead be made on the date which is the earlier of (1) the expiration of the six (6)-month period measured from the date of the Executive's "separation from service," and (2) the date of the Executive's death (the "**Delay Period**") to the extent required under Section 409A. Upon the expiration of the Delay Period, all payments delayed pursuant to this Section 3(d) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid to the Executive in a lump sum, and all remaining payments due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein; and

(B) To the extent that benefits to be provided during the Delay Period are considered "nonqualified deferred compensation" under Section 409A provided on account of a "separation from service," the Executive shall pay the cost of such benefits during the Delay Period, and the Company shall reimburse the Executive, to the extent that such costs would otherwise have been paid or reimbursed by the Company or to the extent that such benefits would otherwise have been provided by the Company at no cost to the Executive, for the Company's share of the cost of such benefits upon expiration of the Delay Period, and any remaining benefits shall be paid, reimbursed or provided by the Company in accordance with the procedures specified herein.

The foregoing provisions of this Section 3(e) shall not apply to any payments or benefits that are excluded from the definition of "nonqualified deferred compensation" under Section 409A, including, without limitation, payments excluded from the definition of "nonqualified deferred compensation" on account of being separation pay due to an involuntary separation from service under Treasury Regulation 1.409A-1(b)(9)(iii) or on account of being a "short-term deferral" under Treasury Regulation 1.409A-1(b)(4).

(f) **Definitions.** For purposes of this Agreement, the following terms shall have the meanings ascribed to them below:

(i) "**Affiliate**" means any corporation, partnership, limited liability company, trust or other entity which directly, or indirectly through one or more intermediaries, controls, is under common control with, or is controlled by, the Company.

(ii) "**Change in Control**" means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(A) any Exchange Act Person becomes the Owner, directly or indirectly, of securities of the Company representing more than 50% of the combined Voting Power of the Company's then outstanding securities other than by virtue of a merger, consolidation or similar transaction. Notwithstanding the foregoing, a Change in Control will not be deemed to occur (1) in connection with the issuance of securities of the Company as part of a joint venture or strategic partnership to which the Company is party, (2) on account of the acquisition of securities of the Company directly from the Company, (3) on account of the acquisition of securities of the Company by an investor, any affiliate thereof or any other

Exchange Act Person that acquires the Company's securities in a transaction or series of related transactions the primary purpose of which is to obtain financing for the Company through the issuance of equity securities, or (4) solely because the level of Ownership held by any Exchange Act Person (the "**Subject Person**") exceeds the designated percentage threshold of the outstanding Voting Securities as a result of a repurchase or other acquisition of Voting Securities by the Company reducing the number of shares outstanding, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by the Company, and after such share acquisition, the Subject Person becomes the Owner of any additional Voting Securities that, assuming the repurchase or other acquisition had not occurred, increases the percentage of the then outstanding Voting Securities Owned by the Subject Person over the designated percentage threshold, then a Change in Control will be deemed to occur;

(B) there is consummated a merger, consolidation or similar transaction involving (directly or indirectly) the Company and, immediately after the consummation of such merger, consolidation or similar transaction, the stockholders of the Company immediately prior thereto do not Own, directly or indirectly, either (1) outstanding Voting Securities representing more than 50% of the combined outstanding Voting Power of the surviving entity in such merger, consolidation or similar transaction or (2) more than 50% of the combined outstanding Voting Power of the parent of the surviving entity in such merger, consolidation or similar transaction, in each case in substantially the same proportions as their Ownership of the outstanding Voting Securities of the Company immediately prior to such transaction;

(C) there is consummated a sale, lease, exclusive license or other disposition of all or substantially all of the consolidated assets of the Company and its subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its subsidiaries to an entity, more than 50% of the combined Voting Power of the Voting Securities of which are Owned by stockholders of the Company in substantially the same proportions as their Ownership of the outstanding Voting Securities of the Company immediately prior to such sale, lease, license or other disposition; or

(D) individuals who, on the Commencement Date, are members of the Board (the "**Incumbent Board**") cease for any reason to constitute at least a majority of the members of the Board; *provided, however*, that if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member will, for purposes of this Agreement, be considered as a member of the Incumbent Board.

(iii) "**Code**" means the Internal Revenue Code of 1986, as amended and the rules and regulations promulgated thereunder.

(iv) "**Earned Compensation**" means any Annual Base Salary earned, but unpaid, for services rendered to the Company on or prior to the date on which the Employment Period ends pursuant to Section 3(a) (but excluding any salary and interest accrued thereon payment of which has been deferred).

(v) **“Exchange Act”** means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(vi) **“Exchange Act Person”** means any natural person, entity or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that “Exchange Act Person” will not include (A) the Company or any subsidiary of the Company, (B) any employee benefit plan of the Company or any subsidiary of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any subsidiary of the Company, (C) an underwriter temporarily holding securities pursuant to a registered public offering of such securities, or (D) an entity Owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their Ownership of stock of the Company.

(vii) **“Original Award Documents”** means, with respect to any restricted stock or other equity award, the terms and provisions of the award agreement related to and the plan governing, such restricted stock or other equity award, each as in effect on the Termination Date.

(viii) **“Own,” “Owned,” “Owner,” “Ownership”** means a person or entity will be deemed to “Own,” to have “Owned,” to be the “Owner” of, or to have acquired “Ownership” of securities if such person or entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares Voting Power, which includes the power to vote or to direct the voting, with respect to such securities.

(ix) **“Severance Amount”** means an amount equal to the greater of (A) the aggregate Annual Base Salary which would have been earned by the Executive under this Agreement for the period commencing on the day after the Termination Date and ending on the date of the end of the then applicable Employment Period, and (B) the severance amount payable to the Executive under the Company’s severance policy for executives generally.

(x) **“Termination for Cause”** means a termination of the Executive’s employment by the Company due to (A) an act or acts of dishonesty undertaken by the Executive and intended to result in substantial gain or personal enrichment to the Executive at the expense of the Company, (B) unlawful conduct or gross misconduct that is materially injurious to the Company, (C) the conviction of the Executive of, or the Executive’s entry of a no contest or *nolo contendere* plea to, a felony, (D) breach by the Executive of the Executive’s fiduciary obligations as an officer or director of the Company, (E) a persistent failure by the Executive to perform the duties and responsibilities of the Executive’s employment hereunder; or (F) material breach of any terms and conditions of any contract or agreement between Executive and the Company, or of any Company policy, or of any statutory duty Executive owes to the Company, which breach has not been cured by the Executive within ten days after written notice thereof to Executive from the Company.

(xi) **“Termination Date”** means the earlier to occur of (A) the date the Company specifies in writing to the Executive in connection with the exercise of its Termination Right or (B) the date the Executive specifies in writing to the Company in connection with any notice to effect a Termination for Good Reason. Notwithstanding the foregoing, a termination of

employment will not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits subject to Section 409A upon or following a termination of employment unless such termination is also a "separation from service" (within the meaning of Section 409A and as provided in Section 3(h) of this Agreement), and notwithstanding anything contained herein to the contrary, the date on which such separation from service takes place will be the Termination Date.

(xii) "**Termination due to Disability**" means a termination of the Executive's employment by the Company because the Executive has been incapable, after reasonable accommodation, of substantially fulfilling the positions, duties, responsibilities and obligations set forth in this Agreement because of physical, mental or emotional incapacity resulting from injury, sickness or disease for a period of (A) six (6) consecutive months or (B) an aggregate of nine (9) months (whether or not consecutive) in any twelve (12) month period. Any question as to the existence, extent or potentiality of the Executive's disability shall be determined by a qualified physician selected by the Company with the consent of the Executive, which consent shall not be unreasonably withheld. The Executive or the Executive's legal representatives or any adult member of the Executive's immediate family shall have the right to present to such physician such information and arguments as to the Executive's disability as he, she or they deem appropriate, including the opinion of the Executive's personal physician.

(xiii) "**Termination for Good Reason**" means a termination of the Executive's employment by the Executive within thirty (30) days of the Company's failure to cure, in accordance with the procedures set forth below, any of the following events: (A) a reduction in Executive's Annual Base Salary as in effect immediately prior to such reduction by more than ten percent (10%) without Executive's written consent, unless such reduction is made pursuant to an across the board reduction applicable to all senior executives of the Company; (B) a material reduction in the Executive's duties, position and responsibilities as in effect immediately prior to such reduction without Executive's written consent, provided, however, that a mere change in title or reporting relationship following a Change in Control by itself will not constitute "Good Reason" for Executive's resignation, and further provided that the acquisition of the Company and subsequent conversion of the Company to a division or unit of the acquiring entity will not by itself result in a "reduction" of duties, position or responsibility; (C) failure of the Company to renew the term of the Executive's employment pursuant to Section 1(b) of this Agreement; or (D) a material breach of any material provision of this Agreement by the Company. Notwithstanding the foregoing, a termination shall not be treated as a Termination for Good Reason (y) if the Executive shall have consented in writing to the occurrence of the event giving rise to the claim of Termination for Good Reason, or (z) unless (A) the Executive shall have delivered a written notice to the Board of Directors within ninety (90) days of the initial occurrence of one of such events stating that the Executive intends to terminate the Executive's employment for Good Reason and specifying the factual basis for such termination, (B) the Company shall not have cured such event within thirty (30) days of the receipt of such notice, and (C) the Executive shall have terminated his employment within thirty (30) days after expiration of the thirty (30) day cure period set forth in the foregoing clause (B).

(xiv) "**Termination Right**" means the right of the Company, in its sole, absolute and unfettered discretion, to terminate the Executive's employment under this Agreement for any reason or no reason whatsoever. For the avoidance of doubt, any

Termination for Cause effected by the Company shall not constitute the exercise of its Termination Right.

(xv) **"Voting Power"** means such number of Voting Securities as shall enable the holders thereof to cast all the votes which could be cast in an annual election of directors of a company.

(xvi) **"Voting Securities"** means all securities entitling the holders thereof to vote in an annual election of directors of a company.

(g) **Conflict with Plans.** As permitted under the terms of the applicable Plans, the Company and the Executive agree that the definitions of Termination for Cause or Termination for Good Reason set forth in this Section 3 shall apply in place of any similar definition or comparable concept applicable under the Plans (or any similar definition in any successor plan).

(h) **Section 409A.** It is intended that payments and benefits under this Agreement either be excluded from or comply with the requirements of Section 409A and the guidance issued thereunder and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted consistent with such intent. In the event that any provision of this Agreement is subject to but fails to comply with Section 409A, the Company may revise the terms of the provision to correct such noncompliance to the extent permitted under any guidance, procedure or other method promulgated by the Internal Revenue Service now or in the future or otherwise available that provides for such correction as a means to avoid or mitigate any taxes, interest or penalties that would otherwise be incurred by the Executive on account of such noncompliance. Provided, however, that in no event whatsoever shall the Company be liable for any additional tax, interest or penalty imposed upon or other detriment suffered by the Executive under Section 409A or damages for failing to comply with Section 409A. Solely for purposes of determining the time and form of payments due the Executive under this Agreement (including any payments due under Sections 3(c) or 5) or otherwise in connection with the Executive's termination of employment with the Company, the Executive shall not be deemed to have incurred a termination of employment unless and until the Executive shall incur a "separation from service" within the meaning of Section 409A. The parties agree, as permitted in accordance with the final regulations thereunder, a "separation from service" shall occur when the Executive and the Company reasonably anticipate that the Executive's level of bona fide services for the Company (whether as an employee or an independent contractor) will permanently decrease to no more than forty (40) percent of the average level of bona fide services performed by the Executive for the Company over the immediately preceding thirty six (36) months. The determination of whether and when a separation from service has occurred shall be made in accordance with this subparagraph and in a manner consistent with Treasury Regulation Section 1.409A-1(h). All reimbursements and in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A to the extent that such reimbursements or in-kind benefits are subject to Section 409A, including, where applicable, the requirements that (i) any reimbursement is for expenses incurred during the Executive's lifetime (or during a shorter period of time specified in this Agreement), (ii) the amount of expenses eligible for reimbursement (and the in-kind benefits to be provided) during a calendar year may not affect the expenses eligible for reimbursement (and the in-kind benefits to be provided) in any other

calendar year, (iii) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the year in which the expense is incurred and (iv) the right to reimbursement (or in-kind benefits) is not subject to set off or liquidation or exchange for any other benefit. For purposes of Section 409A, the Executive's right to any installment payments under this Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., "payment shall be made within ninety (90) days following the date of termination"), the actual date of payment within the specified period shall be within the sole discretion of the Company.

4. **EXECUTIVE REMEDY.** The Executive shall be under no obligation to seek other employment or other engagement of the Executive's services. The Executive acknowledges and agrees that the payment and rights provided under Section 3 are fair and reasonable, and are the Executive's sole and exclusive remedy, in lieu of all other remedies at law or in equity, for termination of the Executive's employment by the Company upon exercise of its Termination Right pursuant to this Agreement or upon a Termination for Good Reason.

5. **ADDITIONAL PAYMENTS FOLLOWING A CHANGE IN CONTROL.**

(a) If, during the Employment Period and within two (2) years after a Change in Control, the Company shall terminate the Executive's employment other than due to the Executive's death, a Termination for Cause, a Termination due to Disability or if the Executive shall effect a Termination for Good Reason:

(i) the Company shall pay to the Executive, in a lump sum in cash within thirty (30) days after the Termination Date, the aggregate of the following amounts:

(A) the cash portion of the Unconditional Entitlements; and

(B) the amount equal to the product of 2.99 times the sum of (y) the Annual Base Salary, and (z) the greater of the target bonus for the then current fiscal year under the Plans or any successor annual bonus plan and the average annual bonus paid to or for the benefit of the Executive for the prior three (3) full years (or any shorter period during which the Executive has been employed by the Company); and

(ii) the Company shall provide the Executive the Conditional Benefits minus the Severance Amount.

(b) If any payment or benefit (including payments and benefits pursuant to this Agreement) the Executive would receive in connection with a Change in Control from the Company or otherwise (the "**Payment**") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this paragraph, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then the Company shall cause to be determined, before any amounts of the Payment are paid to the Executive, which of the following two alternative forms of payment shall be paid to the Executive: (A) payment in full of the entire amount of the Payment (a "**Full Payment**"), or (B) payment of only a part of the Payment so that Executive receives the largest payment possible without the imposition of the Excise Tax (a "**Reduced Payment**"). A Full Payment shall be made in the event that the amount

received by the Executive on a net after-tax basis is greater than what would be received by the Executive on a net after-tax basis if the Reduced Payment were made, otherwise a Reduced Payment shall be made. If a Reduced Payment is made, (i) the Payment shall be paid only to the extent permitted under the Reduced Payment alternative, and the Executive shall have no rights to any additional payments and/or benefits constituting the Payment, and (ii) reduction in payments and/or benefits shall occur in the following order: (A) reduction of cash payments; (B) cancellation of accelerated vesting of equity awards other than stock options; (C) cancellation of accelerated vesting of stock options; and (D) reduction of other benefits paid to Executive. In the event that acceleration of compensation from the Executive's equity awards is to be reduced, such acceleration of vesting shall be canceled in the reverse order of the date of grant.

(c) The independent registered public accounting firm engaged by the Company for general audit purposes as of the day prior to the effective date of the Change in Control, or a nationally recognized law firm, shall make all determinations required to be made under this Section 5. If the independent registered public accounting firm or nationally recognized law firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, the Company shall appoint a nationally recognized law firm or independent registered public accounting firm or law firm to make the determinations required hereunder. The Company shall bear all expenses with respect to the determinations by such independent registered public accounting firm required to be made hereunder.

(d) The independent registered public accounting firm or law firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to the Company and the Executive within fifteen (15) calendar days after the date on which Executive's right to a Payment is triggered (if requested at that time by the Company or Executive) or such other time as requested by the Company or Executive. Any good faith determinations of the accounting firm or law firm made hereunder shall be final, binding and conclusive upon the Company and Executive.

(e) The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment.

6. CONFIDENTIALITY.

(a) **Confidentiality.** Without the prior written consent of the Company, except (y) as reasonably necessary in the course of carrying out the Executive's duties hereunder or (z) to the extent required by an order of a court having competent jurisdiction or under subpoena from an appropriate government agency, the Executive shall not disclose any Confidential Information unless such Confidential Information has been previously disclosed to the public by the Company or has otherwise become available to the public (other than by reason of the Executive's breach of this Section 6(a)). The term "*Confidential Information*" shall

include, but shall not be limited to: (i) the identities of the existing and prospective customers or clients of the Company and its Affiliates, including names, addresses, credit status, and pricing levels; (ii) the buying and selling habits and customs of existing and prospective customers or clients of the Company and its Affiliates; (iii) financial information about the Company and its Affiliates; (iv) product and systems specifications, concepts for new or improved products and other product or systems data; (v) the identities of, and special skills possessed by, employees of the Company and its Affiliates; (vi) the identities of and pricing information about the suppliers and vendors of the Company and its Affiliates; (vii) training programs developed by the Company or its Affiliates; (viii) pricing studies, information and analyses; (ix) current and prospective products and inventories; (x) financial models, business projections and market studies; (xi) the financial results and business conditions of the Company and its Affiliates; (xii) business plans and strategies of the Company and its Affiliates; (xiii) special processes, procedures, and services of suppliers and vendors of the Company and its Affiliates; and (xiv) computer programs and software developed by the Company or its Affiliates.

(b) Company Property. Promptly following the Executive's termination of employment, the Executive shall return to the Company all property of the Company, and all copies thereof in the Executive's possession or under the Executive's control, except that the Executive may retain the Executive's personal notes, diaries, rolodexes, mobile devices, calendars and correspondence of a personal nature. All business procured by Executive and all related business opportunities and plans made known to Executive while Executive is employed by or providing services to the Company shall remain the permanent and exclusive property of the Company.

(c) Nonsolicitation. The Executive agrees that, while the Executive is employed by the Company and during the one-year period following the Executive's termination of employment with the Company (the "*Restricted Period*"), the Executive shall not directly or indirectly, (i) solicit any individual who is, on the Termination Date (or was, during the six-month period prior to the Termination Date), employed by the Company or its Affiliates to terminate or refrain from renewing or extending such employment or to become employed by or become a consultant to any other individual or entity other than the Company or its Affiliates or (ii) induce or attempt to induce any customer or investor (in each case, whether former, current or prospective), supplier, licensee or other business relation of the Company or any of its affiliates to cease doing business with the Company or such Affiliate, or in any way interfere with the relationship between any such customer, investor, supplier, licensee or business relation, on the one hand, and the Company or any of its Affiliates, on the other hand.

(d) Noncompetition. The Executive agrees that, during the Restricted Period, the Executive will not engage in Competition (as defined below). The Executive shall be deemed to be engaging in "*Competition*" if he, directly or indirectly, anywhere in the continental United States in which the Company conducts business or has plans to conduct business, owns, manages, operates, controls or participates in the ownership, management, operation or control of or is connected as an officer, employee, partner, director, consultant or otherwise with, or has any financial interest in, any business (whether through a corporation or other entity) engaged in any business activity that could be deemed to be competitive with one or more of the principal lines of business conducted by the Company and its Affiliates, taken as a whole. Ownership for

personal investment purposes only of less than 2% of the voting stock of any publicly held corporation shall not constitute a violation hereof.

(e) **Equitable Remedies.** The Executive acknowledges that the Company would be irreparably injured by a violation of Section 6 and the Executive agrees that the Company, in addition to any other remedies available to it for such breach or threatened breach, on meeting the standards required by law, shall be entitled to a preliminary injunction, temporary restraining order, or other equivalent relief, restraining the Executive from any actual or threatened breach of Section 6. If a bond is required to be posted in order for the Company to secure an injunction or other equitable remedy, the parties agree that said bond need not be more than a nominal sum.

(f) **Employee Proprietary Information and Inventions Assignment.** The terms of that certain Employee Proprietary Information, Inventions Assignment and Non-Competition Agreement between the Executive and the Company are hereby incorporated by reference (the "*Invention Assignment Agreement*"). To the extent that there are any conflicts between the terms and conditions of the Invention Assignment Agreement and this Agreement, the terms and conditions of this Agreement shall control. All non-conflicting terms of the Invention Assignment Agreement are hereby expressly preserved.

(g) **Severability; Blue Pencil.** The Executive acknowledges and agrees that the Executive has had the opportunity to seek advice of counsel in connection with this Agreement and the restrictive covenants contained herein are reasonable in geographical scope temporal duration and in all other respects. If it is determined that any provision of this Section 6 is invalid or unenforceable, the remainder of the provisions of this Section 6 shall not thereby be affected and shall be given full effect, without regard to the invalid portions. If any court or other decision-maker of competent jurisdiction determines that any of the covenants in this Section 6 is unenforceable because of the duration or geographic scope of such provision, then after such determination becomes final and unappealable, the duration or scope of such provision, as the case may be, shall be reduced so that such provision becomes enforceable, and in its reduced form, such provision shall be enforced.

7. SUCCESSORS.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns and any party acting in the form of a receiver or trustee capacity.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such

succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

8. MISCELLANEOUS.

(a) This Agreement shall be construed, and the rights and obligations of the parties hereunder determined, in accordance with the substantive laws of the State of Michigan, without regard to its conflict-of-laws principles. For the purposes of any suit, action or proceeding based upon, arising out of or relating to this Agreement or the negotiation, execution or performance hereof, the parties hereby expressly submit to the jurisdiction of all federal and state courts sitting within the confines of the Federal Eastern District of Michigan (the "*Venue Area*") and consent that any order, process, notice of motion or other application to or by any such court or a judge thereof may be served within or without such court's jurisdiction by registered mail or by personal service in accordance with Section 8(b). The parties agree that such courts shall have the exclusive jurisdiction over any such suit, action or proceeding commenced by either or both of said parties. Each party hereby irrevocably waives any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding based upon, arising out of or relating to this Agreement or the negotiation, execution or performance hereof, brought in any federal or state court sitting within the confines of the Venue Area and hereby further irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive, to the address maintained in the Company's records.

If to the Company: Conifer Holdings, Inc.
550 West Merrill Street, Suite 200
Birmingham, Michigan 48009
Attn: General Counsel
Telephone: (248) 559-0840

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) From and after the Commencement Date, the Company shall cover the Executive under directors' and officers' liability insurance both during and, while potential

liability exists, after the Employment Period in the same amount and to the same extent as the Company covers its other executive officers and directors.

(e) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(f) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to effect a Termination for Good Reason shall not be deemed to be a waiver of such provision of right or any other provision or right of this Agreement.

(g) This Agreement, the Invention Assignment Agreement, and all agreements, documents, instruments, schedules, exhibits or certificates prepared in connection herewith, represent the entire understanding and agreement between the parties with respect to the subject matter hereof, supersede all prior agreements or negotiations between such parties and may be amended, supplemented or changed only by an agreement in writing which makes specific reference to this Agreement or the agreement or document delivered pursuant hereto, as the case may be, and which is signed by the party against whom enforcement of any such amendment, supplement or modification is sought.

SIGNATURES ON THE FOLLOWING PAGE

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

THE EXECUTIVE:

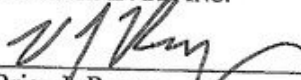


ANDREW D. PETCOFF

THE COMPANY:

CONIFER HOLDINGS, INC.

By:



Name: Brian J. Roney

Title: President

SIGNATURE PAGE TO EMPLOYMENT AGREEMENT

EXHIBIT A

FORM OF WAIVER AND RELEASE

PLEASE READ THIS WAIVER AND RELEASE CAREFULLY. IT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS UP TO AND INCLUDING THE DATE OF EXECUTION OF THIS WAIVER AND RELEASE.

1. For and in consideration of the payments and other benefits due to [Insert Name] (the "*Executive*") pursuant to that certain Employment Agreement (the "*Employment Agreement*") dated [date], by and between CONIFER HOLDINGS, INC., a Michigan corporation (the "*Company*"), and the Executive, and for other good and valuable consideration, including the mutual promises made herein, the Executive and the Company irrevocably and unconditionally release and forever discharge each other and each and all of their present and former officers, agents, directors, managers, employees, representatives, affiliates, shareholders, members, and each of their successors, heirs and assigns, and all persons acting by, through, under or in concert with it, and in each case individually and in their official capacities (collectively, the "*Released Parties*"), from any and all charges, complaints, grievances, claims and liabilities of any kind or nature whatsoever, known or unknown, suspected or unsuspected (hereinafter referred to as "*claim*" or "*claims*") which either party at any time heretofore had or claimed to have or which either party may have or claim to have regarding events that have occurred up to and including the date of the execution of this Release, including, without limitation, any and all claims related, in any manner, to the Executive's employment or the termination thereof. In particular, each party understands and agrees that the parties' release includes, without limitation, all matters arising under any federal, state, or local law, including civil rights laws and regulations prohibiting employment discrimination on the basis of race, color, religion, age, sex, national origin, ancestry, disability, medical condition, veteran status, marital status and sexual orientation, or any other characteristic protected by federal, state or local law including, but not limited to, claims under Title VII of the Civil Rights Act of 1964, as amended, the Age Discrimination in Employment Act of 1967, as amended, the Older Workers Benefit Protection Act of 1990, as amended, the Americans with Disabilities Act, the Rehabilitation Act, the Occupational Safety and Health Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act of 1974, as amended (except as to vested retirement benefits, if any), the Worker Adjustment and Retraining Notification Act, federal and state wage and hour laws, or any common law, public policy, contract (whether oral or written, express or implied) or tort law, or any other federal, state or local law, regulation, ordinance or rule having any bearing whatsoever.

2. **The Executive must sign and return this Release to the Company on or before the 30th day following the Termination Date (as defined in the Employment Agreement). The Executive can revoke this Release on or before the seventh day following the date of delivery of this Release to the Company, by sending written notification of the Executive's intent to revoke this Release to the Company. This Release shall not become effective or enforceable until the seven-day revocation period has expired. All correspondence pursuant to this Section 2 must be sent to the attention of the Corporate Secretary at [____], by personal delivery or guaranteed overnight delivery.**

3. The Executive and the Company acknowledge that they may have sustained losses that are currently unknown or unsuspected, and that such damages or losses could give rise to additional causes of action, claims, demands and debts in the future. Nevertheless, the Executive and the Company each acknowledge that this Release has been agreed upon in light of this realization and, being fully aware of this situation, the Executive and the Company nevertheless intend to release each other from any and all such unknown claims, including damages which are unknown or unanticipated. The parties understand the word "claims" to include all actions, claims, and grievances, whether actual or potential, known or unknown, and specifically but not exclusively all claims arising out of the Executive's employment and the termination thereof. All such "claims" (including related attorneys' fees and costs) are forever barred by this Release and without regard to whether those claims are based on any alleged breach of a duty arising in a statute, contract, or tort; any alleged unlawful act, including, without limitation, age discrimination; any other claim or cause of action; and regardless of the forum in which it might be brought.

4. Notwithstanding anything else herein to the contrary, this Release shall not affect, and the Executive and the Company, as applicable, do not waive or release: (a) rights to indemnification the Executive may have under (i) applicable law, (ii) any other agreement between the Executive and a Released Party and (iii) as an insured under any director's and officer's liability or other insurance policy now or previously in force; (b) any right the Executive may have to obtain contribution in the event of the entry of judgment against the Executive as a result of any act or failure to act for which both the Executive and any of the Company or its affiliates or subsidiaries (collectively, the "*Affiliated Entities*") are or may be jointly responsible; (c) the Executive's rights to benefits and payments under any stock options, restricted stock, restricted stock units or other incentive plans or under any retirement plan, welfare benefit plan or other benefit or deferred compensation plan, all of which shall remain in effect in accordance with the terms and provisions of such benefit and/or incentive plans and any agreements under which such stock options, restricted shares, restricted stock units or other awards or incentives were granted or benefits were made available; (d) the Executive's rights as a shareholder of any of the Affiliated Entities; (e) any obligations of the Affiliated Entities under the Employment Agreement; (f) claims for improper self-dealing, improper distributions and other limitations imposed by applicable law; (g) any finally and judicially determined, knowing violation of the law by the Executive that has a material and adverse impact on the Company; (h) any fraud or other intentional misconduct by the Executive that has a material and adverse impact on the Company; (i) any material violation of any confidentiality, nonsolicitation or noncompetition agreement or provision executed by the Executive; or (j) any other claim not subject to release by operation of law.

5. The Executive acknowledges and agrees that the Executive: (a) has been given at least 21 days within which to consider this Release and its ramifications and discuss the terms of this Release with the Company before executing it (and that any modification of this Release, whether material or immaterial, will not restart or change the original 21-day consideration period) and the Executive fully understands that by signing below the Executive is voluntarily giving up any right which the Executive may have to sue or bring any other claims against the Released Parties; (b) has been given seven days after delivering this Release to the Company to revoke this Release; (c) has been advised to consult legal counsel regarding the terms of this Release; (d) has carefully read and fully understands all of the provisions of this Release;

(e) knowingly and voluntarily agrees to all of the terms set forth in this Release; and (f) knowingly and voluntarily intends to be legally bound by the same. The Executive also understands that, notwithstanding anything in this Release to the contrary, nothing in this Release shall be construed to prohibit the Executive from (y) filing a charge or complaint with the Equal Employment Opportunity Commission or any other federal, state or local administrative or regulatory agency, or (z) participating in any investigation or proceedings conducted by the Equal Employment Opportunity Commission or any other federal, state or local administrative or regulatory agency; however, the Executive expressly waives the right to any relief of any kind in the event that the Equal Employment Opportunity Commission or any other federal, state or local administrative or regulatory agency pursues any claim on the Executive's behalf.

6. This Release is final and binding and may not be changed or modified except in a writing signed by both parties.

[INSERT NAME]

Dated: _____

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "*Agreement*") is made effective as of the 13th day of March, 2017 (the "*Commencement Date*"), by and between CONIFER HOLDINGS, INC., a Michigan corporation (the "*Company*") and BRIAN J. RONEY (the "*Executive*").

BACKGROUND

The Board of Directors of the Company (the "*Board*") has determined that it is in the best interests of the Company and its stockholders to employ the Executive. The Company and the Executive desire to enter into this Agreement to set forth the terms and conditions of the Executive's employment relationship. This Agreement shall represent the entire understanding and agreement between the parties with respect to the Executive's employment with the Company.

NOW, THEREFORE, in consideration of the foregoing and the terms and conditions set forth herein, the parties agree as follows:

TERMS AND CONDITIONS

1. EMPLOYMENT PERIOD.

(a) This Agreement shall be effective concurrently with the Commencement Date.

(b) The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company, subject to the terms and conditions of this Agreement, for the period commencing on the Commencement Date and ending on the first anniversary of the Commencement Date (the "*Initial Term*"). The term of this Agreement will automatically be renewed for a term of one (1) year (each, a "*Renewal Term*") at the end of the Initial Term and at the end of each Renewal Term thereafter, provided that (a) the Executive does not notify the Board of its intention not to renew this Agreement at least thirty (30) days prior (the "*Renewal Date*") to the expiration of the Initial Term or any Renewal Term and (b) the Board does not notify the Executive of its intention not to renew this Agreement on or prior to the Renewal Date. For purposes of this Agreement, "*Employment Period*" includes the Initial Term and any Renewal Term(s) thereafter.

2. TERMS OF EMPLOYMENT.

(a) Position and Duties.

(i) During the Employment Period, the Executive shall serve as the President of the Company, and in such other position or positions with the Company and its subsidiaries as are consistent with the Executive's position as President of the Company, and shall have such duties and responsibilities as are assigned to the Executive by the Board consistent with the Executive's position as President of the Company. Subject to Section 3(c), the Company may make changes to the Executive's roles, responsibilities and reporting from

time to time without advance notice to accommodate its business interest and this Agreement will continue to apply after such changes.

(ii) During the Employment Period, and excluding any periods of paid time off or other leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours and on a full-time basis to the business and affairs of the Company, to discharge the responsibilities assigned to the Executive hereunder, and to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) be employed by the Company or any of its subsidiaries or Affiliates, (B) serve on corporate, civic or charitable boards or committees, and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement.

(b) **Compensation.**

(i) **Base Salary.** During the Employment Period, the Executive shall receive an annual base salary (the "**Annual Base Salary**") at least equal to \$425,000, which shall be paid in accordance with the Company's normal payroll practices for senior executive officers of the Company as in effect from time to time. During the Employment Period, the Annual Base Salary shall be reviewed at least annually, and may be adjusted by the Compensation Committee of the Company's Board of Directors (the "**Compensation Committee**"). The term "Annual Base Salary" as utilized in this Agreement shall refer to the Annual Base Salary as so adjusted.

(ii) **Annual Cash Bonus.** In addition to the Annual Base Salary, for each fiscal year ending during the Employment Period, the Executive shall be eligible for an annual cash bonus (the "**Annual Bonus**") as determined by the Compensation Committee. Each such Annual Bonus awarded to the Executive shall be paid sometime during the first seventy-five (75) days of the fiscal year next following the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect, in compliance with Treasury Regulation 1.409A-2(a), to defer the receipt of such Annual Bonus. Executive must be employed with the Company in good standing on the payment date of the Annual Bonus to earn and be eligible to receive the Annual Bonus.

(iii) **Long-Term Incentive Equity Compensation.** During the Employment Period, the Executive shall be entitled to participate in any stock option, performance share, restricted stock unit or other equity based long-term incentive compensation plan, program or arrangement (the "**Plans**") generally made available to senior executive officers of the Company, on substantially the same terms and conditions as generally apply to such other officers, except that the size of the awards made to the Executive shall reflect the Executive's position with the Company and the Compensation Committee's views.

(iv) **Welfare Benefit Plans.** During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical,

prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent available generally or to other senior executive officers of the Company.

(v) **Expenses.** During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the plans, practices, policies and programs of the Company.

(vi) **Vacation.** During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the plans, practices, policies and programs of the Company consistent with the treatment of other senior executive officers of the Company. Up to ten (10) days shall roll over to the next year, if not used during any calendar year. Other than as required by applicable law, upon termination of Executive's employment for any reason, the Company will not pay any accrued or unused vacation time.

(c) **Recoupment of Unearned Incentive Compensation.** If the Board, or an appropriate committee thereof, determines that any fraud, negligence, or intentional misconduct by the Executive is a significant contributing factor to the Company having to restate all or a portion of its financial statements, the Board or committee may require reimbursement of any bonus or incentive compensation paid to the Executive if and to the extent that (i) the amount of incentive compensation was calculated based upon the achievement of certain financial results that were subsequently reduced due to a restatement, (ii) the Executive engaged in any fraud or misconduct that caused or significantly contributed to the need for the restatement, and (iii) the amount of the bonus or incentive compensation that would have been awarded to the Executive had the financial results been properly reported would have been lower than the amount actually awarded.

3. TERMINATION OF EMPLOYMENT.

(a) Notwithstanding Section 1, the Employment Period shall end upon the earliest to occur of (i) the Executive's death, (ii) a Termination due to Disability, (iii) a Termination for Cause, (iv) the Termination Date specified in connection with any exercise by the Company of its Termination Right; (v) a Termination for Good Reason; or (vi) the termination of this Agreement by Executive pursuant to Section 3(b). If the Employment Period terminates as of a date specified under this Section 3, the Executive agrees that, upon written request from the Company, the Executive shall resign from any and all positions the Executive holds with the Company and any of its subsidiaries and Affiliates, effective immediately following receipt of such request from the Company (or at such later date as the Company may specify).

(b) This Agreement may be terminated by the Executive at any time upon thirty (30) days prior written notice to the Company or upon such shorter period as may be agreed upon between the Executive and the Board. In the event of such termination, the Company shall be obligated only to continue to pay the Executive's salary and provide other benefits provided by this Agreement up to the date of the termination.

(c) **Benefits Payable Under Termination.**

(i) In the event of the Executive's death during the Employment Period or a Termination due to Disability, the Executive or the Executive's beneficiaries or legal representatives shall be provided the Unconditional Entitlements, including, but not limited to, any such Unconditional Entitlements that are or become payable under any Company plan, policy, practice or program or any contract or agreement with the Company by reason of the Executive's death or Termination due to Disability.

(ii) In the event of the Executive's Termination for Cause or termination by the Executive other than for a Termination for Good Reason, the Executive shall be provided the Unconditional Entitlements.

(iii) In the event of a Termination for Good Reason or the exercise by the Company of its Termination Rights, the Executive shall be provided the Unconditional Entitlements and, subject to Executive signing and delivering to the Company and not revoking a general release of claims in favor of the Company and certain related parties in substantially the form of EXHIBIT A attached hereto (the "*Release*"), the Company shall provide the Executive the Conditional Benefits. Any and all amounts payable and benefits or additional rights provided to the Executive upon a termination of the Executive's employment pursuant to this Section 3(c) (other than the Unconditional Entitlements) shall only be payable or provided if the Executive signs and delivers the Release within the consideration period identified in the Release and the Executive does not revoke the Release within the revocation period identified in the Release. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement, nor shall the amount of any payment hereunder be reduced by any compensation earned by the Executive as a result of employment by a subsequent employer.

(d) **Unconditional Entitlements.** For purposes of this Agreement, the "*Unconditional Entitlements*" to which the Executive may become entitled under Section 3(c) are as follows:

(i) **Earned Amounts.** The Earned Compensation shall be paid within thirty (30) days following the termination of the Executive's employment hereunder.

(ii) **Benefits.** All benefits payable to the Executive under any employee benefit plans (including, without limitation any pension plans or 401(k) plans) of the Company or any of its Affiliates applicable to the Executive at the time of termination of the Executive's employment with the Company and all amounts and benefits (other than the Conditional Benefits) which are vested or which the Executive is otherwise entitled to receive under the terms of or in accordance with any plan, policy, practice or program of, or any contract or agreement with, the Company, at or subsequent to the date of the Executive's termination without regard to the performance by the Executive of further services or the resolution of a contingency, shall be paid or provided in accordance with and subject to the terms and provisions of such plans, it being understood that all such benefits shall be determined on the basis of the actual date of termination of the Executive's employment with the Company.

(iii) **Indemnities.** Any right which the Executive may have to claim a defense and/or indemnity for liabilities to or claims asserted by third parties in connection with the Executive's activities as an officer, director or employee of the Company shall be unaffected by the Executive's termination of employment and shall remain in effect in accordance with its terms.

(iv) **Medical Coverage.** The Executive shall be entitled to such continuation of health care coverage as is required under, and in accordance with, applicable law or otherwise provided in accordance with the Company's policies. The Executive shall be notified in writing of the Executive's rights to continue such coverage after the termination of the Executive's employment pursuant to this Section 3(d)(iv), provided that the Executive timely complies with the conditions to continue such coverage. The Executive understands and acknowledges that the Executive is responsible to make all payments required for any such continued health care coverage that the Executive may choose to receive.

(v) **Business Expenses.** The Executive shall be entitled to reimbursement, in accordance with the Company's policies regarding expense reimbursement as in effect from time to time, for all business expenses incurred by the Executive prior to the termination of the Executive's employment.

(vi) **Stock Options/Equity Awards.** Except to the extent additional rights are provided upon the Executive's qualifying to receive the Conditional Benefits, the Executive's rights with respect to any stock options, restricted stock units and/or other equity awards granted to the Executive by the Company shall be governed by the terms and provisions of the plans (including plan rules) and award agreements pursuant to which such stock options and equity awards were awarded, as in effect at the date the Executive's employment terminated.

(e) **Conditional Benefits.** For purposes of this Agreement, the "**Conditional Benefits**" to which the Executive may become entitled are as follows:

(i) **Severance Amount.** The Company shall pay the Executive a lump sum amount equal to the Severance Amount. Subject to Section 3(c)(iii) above, the Severance Amount shall be paid on the date that is sixty (60) days after the Termination Date (or upon the Executive's death, if earlier).

(ii) **Equity Awards.** Any restricted stock unit or other equity award subject to vesting shall continue to vest in accordance with the terms of the Original Award Documents, regardless of the Executive's termination of employment. Except as otherwise expressly provided herein, all such restricted stock or other equity awards shall be subject to, and administered in accordance with, the Original Award Documents.

(iii) **Additional Distribution Rules.** Notwithstanding any other payment date or schedule provided in this Agreement to the contrary, if the Executive is deemed on the Termination Date of the Executive's employment to be a "specified employee" within the meaning of that term under Section 409A of the Code and the regulations thereunder ("**Section 409A**"), then each of the following shall apply:

(A) With regard to any payment that is considered "nonqualified deferred compensation" under Section 409A and payable on account of and within six months after a "separation from service" (within the meaning of Section 409A and as provided in Section 3(h) of this Agreement), such payment shall instead be made on the date which is the earlier of (1) the expiration of the six (6)-month period measured from the date of the Executive's "separation from service," and (2) the date of the Executive's death (the "*Delay Period*") to the extent required under Section 409A. Upon the expiration of the Delay Period, all payments delayed pursuant to this Section 3(d) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid to the Executive in a lump sum, and all remaining payments due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein; and

(B) To the extent that benefits to be provided during the Delay Period are considered "nonqualified deferred compensation" under Section 409A provided on account of a "separation from service," the Executive shall pay the cost of such benefits during the Delay Period, and the Company shall reimburse the Executive, to the extent that such costs would otherwise have been paid or reimbursed by the Company or to the extent that such benefits would otherwise have been provided by the Company at no cost to the Executive, for the Company's share of the cost of such benefits upon expiration of the Delay Period, and any remaining benefits shall be paid, reimbursed or provided by the Company in accordance with the procedures specified herein.

The foregoing provisions of this Section 3(e) shall not apply to any payments or benefits that are excluded from the definition of "nonqualified deferred compensation" under Section 409A, including, without limitation, payments excluded from the definition of "nonqualified deferred compensation" on account of being separation pay due to an involuntary separation from service under Treasury Regulation 1.409A-1(b)(9)(iii) or on account of being a "short-term deferral" under Treasury Regulation 1.409A-1(b)(4).

(f) **Definitions.** For purposes of this Agreement, the following terms shall have the meanings ascribed to them below:

(i) "*Affiliate*" means any corporation, partnership, limited liability company, trust or other entity which directly, or indirectly through one or more intermediaries, controls, is under common control with, or is controlled by, the Company.

(ii) "*Change in Control*" means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(A) any Exchange Act Person becomes the Owner, directly or indirectly, of securities of the Company representing more than 50% of the combined Voting Power of the Company's then outstanding securities other than by virtue of a merger, consolidation or similar transaction. Notwithstanding the foregoing, a Change in Control will not be deemed to occur (1) in connection with the issuance of securities of the Company as part of a joint venture or strategic partnership to which the Company is party, (2) on account of the acquisition of securities of the Company directly from the Company, (3) on account of the acquisition of securities of the Company by an investor, any affiliate thereof or any other

Exchange Act Person that acquires the Company's securities in a transaction or series of related transactions the primary purpose of which is to obtain financing for the Company through the issuance of equity securities, or (4) solely because the level of Ownership held by any Exchange Act Person (the "**Subject Person**") exceeds the designated percentage threshold of the outstanding Voting Securities as a result of a repurchase or other acquisition of Voting Securities by the Company reducing the number of shares outstanding, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by the Company, and after such share acquisition, the Subject Person becomes the Owner of any additional Voting Securities that, assuming the repurchase or other acquisition had not occurred, increases the percentage of the then outstanding Voting Securities Owned by the Subject Person over the designated percentage threshold, then a Change in Control will be deemed to occur;

(B) there is consummated a merger, consolidation or similar transaction involving (directly or indirectly) the Company and, immediately after the consummation of such merger, consolidation or similar transaction, the stockholders of the Company immediately prior thereto do not Own, directly or indirectly, either (1) outstanding Voting Securities representing more than 50% of the combined outstanding Voting Power of the surviving entity in such merger, consolidation or similar transaction or (2) more than 50% of the combined outstanding Voting Power of the parent of the surviving entity in such merger, consolidation or similar transaction, in each case in substantially the same proportions as their Ownership of the outstanding Voting Securities of the Company immediately prior to such transaction;

(C) there is consummated a sale, lease, exclusive license or other disposition of all or substantially all of the consolidated assets of the Company and its subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its subsidiaries to an entity, more than 50% of the combined Voting Power of the Voting Securities of which are Owned by stockholders of the Company in substantially the same proportions as their Ownership of the outstanding Voting Securities of the Company immediately prior to such sale, lease, license or other disposition; or

(D) individuals who, on the Commencement Date, are members of the Board (the "**Incumbent Board**") cease for any reason to constitute at least a majority of the members of the Board; *provided, however*, that if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member will, for purposes of this Agreement, be considered as a member of the Incumbent Board.

(iii) "**Code**" means the Internal Revenue Code of 1986, as amended and the rules and regulations promulgated thereunder.

(iv) "**Earned Compensation**" means any Annual Base Salary earned, but unpaid, for services rendered to the Company on or prior to the date on which the Employment Period ends pursuant to Section 3(a) (but excluding any salary and interest accrued thereon payment of which has been deferred).

(v) "*Exchange Act*" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(vi) "*Exchange Act Person*" means any natural person, entity or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that "Exchange Act Person" will not include (A) the Company or any subsidiary of the Company, (B) any employee benefit plan of the Company or any subsidiary of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any subsidiary of the Company, (C) an underwriter temporarily holding securities pursuant to a registered public offering of such securities, or (D) an entity Owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their Ownership of stock of the Company.

(vii) "*Original Award Documents*" means, with respect to any restricted stock or other equity award, the terms and provisions of the award agreement related to and the plan governing, such restricted stock or other equity award, each as in effect on the Termination Date.

(viii) "*Own,*" "*Owned,*" "*Owner,*" "*Ownership*" means a person or entity will be deemed to "*Own,*" to have "*Owned,*" to be the "*Owner*" of, or to have acquired "*Ownership*" of securities if such person or entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares Voting Power, which includes the power to vote or to direct the voting, with respect to such securities.

(ix) "*Severance Amount*" means an amount equal to the greater of (A) the aggregate Annual Base Salary which would have been earned by the Executive under this Agreement for the period commencing on the day after the Termination Date and ending on the date of the end of the then applicable Employment Period, and (B) the severance amount payable to the Executive under the Company's severance policy for executives generally.

(x) "*Termination for Cause*" means a termination of the Executive's employment by the Company due to (A) an act or acts of dishonesty undertaken by the Executive and intended to result in substantial gain or personal enrichment to the Executive at the expense of the Company, (B) unlawful conduct or gross misconduct that is materially injurious to the Company, (C) the conviction of the Executive of, or the Executive's entry of a no contest or *nolo contendere* plea to, a felony, (D) breach by the Executive of the Executive's fiduciary obligations as an officer or director of the Company, (E) a persistent failure by the Executive to perform the duties and responsibilities of the Executive's employment hereunder; or (F) material breach of any terms and conditions of any contract or agreement between Executive and the Company, or of any Company policy, or of any statutory duty Executive owes to the Company, which breach has not been cured by the Executive within ten days after written notice thereof to Executive from the Company.

(xi) "*Termination Date*" means the earlier to occur of (A) the date the Company specifies in writing to the Executive in connection with the exercise of its Termination Right or (B) the date the Executive specifies in writing to the Company in connection with any notice to effect a Termination for Good Reason. Notwithstanding the foregoing, a termination of

employment will not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits subject to Section 409A upon or following a termination of employment unless such termination is also a "separation from service" (within the meaning of Section 409A and as provided in Section 3(h) of this Agreement), and notwithstanding anything contained herein to the contrary, ~~the date on which~~ such separation from service takes place will be the Termination Date.

(xii) **"Termination due to Disability"** means a termination of the Executive's employment by the Company because the Executive has been incapable, after reasonable accommodation, of substantially fulfilling the positions, duties, responsibilities and obligations set forth in this Agreement because of physical, mental or emotional incapacity resulting from injury, sickness or disease for a period of (A) six (6) consecutive months or (B) an aggregate of nine (9) months (whether or not consecutive) in any twelve (12) month period. Any question as to the existence, extent or potentiality of the Executive's disability shall be determined by a qualified physician selected by the Company with the consent of the Executive, which consent shall not be unreasonably withheld. The Executive or the Executive's legal representatives or any adult member of the Executive's immediate family shall have the right to present to such physician such information and arguments as to the Executive's disability as he, she or they deem appropriate, including the opinion of the Executive's personal physician.

(xiii) **"Termination for Good Reason"** means a termination of the Executive's employment by the Executive within thirty (30) days of the Company's failure to cure, in accordance with the procedures set forth below, any of the following events: (A) a reduction in Executive's Annual Base Salary as in effect immediately prior to such reduction by more than ten percent (10%) without Executive's written consent, unless such reduction is made pursuant to an across the board reduction applicable to all senior executives of the Company; (B) a material reduction in the Executive's duties, position and responsibilities as in effect immediately prior to such reduction without Executive's written consent, provided, however, that a mere change in title or reporting relationship following a Change in Control by itself will not constitute "Good Reason" for Executive's resignation, and further provided that the acquisition of the Company and subsequent conversion of the Company to a division or unit of the acquiring entity will not by itself result in a "reduction" of duties, position or responsibility; (C) failure of the Company to renew the term of the Executive's employment pursuant to Section 1(b) of this Agreement; or (D) a material breach of any material provision of this Agreement by the Company. Notwithstanding the foregoing, a termination shall not be treated as a Termination for Good Reason (y) if the Executive shall have consented in writing to the occurrence of the event giving rise to the claim of Termination for Good Reason, or (z) unless (A) the Executive shall have delivered a written notice to the Board of Directors within ninety (90) days of the initial occurrence of one of such events stating that the Executive intends to terminate the Executive's employment for Good Reason and specifying the factual basis for such termination, (B) the Company shall not have cured such event within thirty (30) days of the receipt of such notice, and (C) the Executive shall have terminated his employment within thirty (30) days after expiration of the thirty (30) day cure period set forth in the foregoing clause (B).

(xiv) **"Termination Right"** means the right of the Company, in its sole, absolute and unfettered discretion, to terminate the Executive's employment under this Agreement for any reason or no reason whatsoever. For the avoidance of doubt, any

Termination for Cause effected by the Company shall not constitute the exercise of its Termination Right.

(xv) **"Voting Power"** means such number of Voting Securities as shall enable the holders thereof to cast all the votes which could be cast in an annual election of directors of a company.

(xvi) **"Voting Securities"** means all securities entitling the holders thereof to vote in an annual election of directors of a company.

(g) **Conflict with Plans.** As permitted under the terms of the applicable Plans, the Company and the Executive agree that the definitions of Termination for Cause or Termination for Good Reason set forth in this Section 3 shall apply in place of any similar definition or comparable concept applicable under the Plans (or any similar definition in any successor plan).

(h) **Section 409A.** It is intended that payments and benefits under this Agreement either be excluded from or comply with the requirements of Section 409A and the guidance issued thereunder and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted consistent with such intent. In the event that any provision of this Agreement is subject to but fails to comply with Section 409A, the Company may revise the terms of the provision to correct such noncompliance to the extent permitted under any guidance, procedure or other method promulgated by the Internal Revenue Service now or in the future or otherwise available that provides for such correction as a means to avoid or mitigate any taxes, interest or penalties that would otherwise be incurred by the Executive on account of such noncompliance. Provided, however, that in no event whatsoever shall the Company be liable for any additional tax, interest or penalty imposed upon or other detriment suffered by the Executive under Section 409A or damages for failing to comply with Section 409A. Solely for purposes of determining the time and form of payments due the Executive under this Agreement (including any payments due under Sections 3(c) or 5) or otherwise in connection with the Executive's termination of employment with the Company, the Executive shall not be deemed to have incurred a termination of employment unless and until the Executive shall incur a "separation from service" within the meaning of Section 409A. The parties agree, as permitted in accordance with the final regulations thereunder, a "separation from service" shall occur when the Executive and the Company reasonably anticipate that the Executive's level of bona fide services for the Company (whether as an employee or an independent contractor) will permanently decrease to no more than forty (40) percent of the average level of bona fide services performed by the Executive for the Company over the immediately preceding thirty six (36) months. The determination of whether and when a separation from service has occurred shall be made in accordance with this subparagraph and in a manner consistent with Treasury Regulation Section 1.409A-1(h). All reimbursements and in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A to the extent that such reimbursements or in-kind benefits are subject to Section 409A, including, where applicable, the requirements that (i) any reimbursement is for expenses incurred during the Executive's lifetime (or during a shorter period of time specified in this Agreement), (ii) the amount of expenses eligible for reimbursement (and the in-kind benefits to be provided) during a calendar year may not affect the expenses eligible for reimbursement (and the in-kind benefits to be provided) in any other

calendar year, (iii) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the year in which the expense is incurred and (iv) the right to reimbursement (or in-kind benefits) is not subject to set off or liquidation or exchange for any other benefit. For purposes of Section 409A, the Executive's right to any installment payments under this Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., "payment shall be made within ninety (90) days following the date of termination"), the actual date of payment within the specified period shall be within the sole discretion of the Company.

4. **EXECUTIVE REMEDY.** The Executive shall be under no obligation to seek other employment or other engagement of the Executive's services. The Executive acknowledges and agrees that the payment and rights provided under Section 3 are fair and reasonable, and are the Executive's sole and exclusive remedy, in lieu of all other remedies at law or in equity, for termination of the Executive's employment by the Company upon exercise of its Termination Right pursuant to this Agreement or upon a Termination for Good Reason.

5. **ADDITIONAL PAYMENTS FOLLOWING A CHANGE IN CONTROL.**

(a) If, during the Employment Period and within two (2) years after a Change in Control, the Company shall terminate the Executive's employment other than due to the Executive's death, a Termination for Cause, a Termination due to Disability or if the Executive shall effect a Termination for Good Reason:

(i) the Company shall pay to the Executive, in a lump sum in cash within thirty (30) days after the Termination Date, the aggregate of the following amounts:

(A) the cash portion of the Unconditional Entitlements; and

(B) the amount equal to the product of 2.99 times the sum of (y) the Annual Base Salary, and (z) the greater of the target bonus for the then current fiscal year under the Plans or any successor annual bonus plan and the average annual bonus paid to or for the benefit of the Executive for the prior three (3) full years (or any shorter period during which the Executive has been employed by the Company); and

(ii) the Company shall provide the Executive the Conditional Benefits minus the Severance Amount.

(b) If any payment or benefit (including payments and benefits pursuant to this Agreement) the Executive would receive in connection with a Change in Control from the Company or otherwise (the "**Payment**") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this paragraph, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then the Company shall cause to be determined, before any amounts of the Payment are paid to the Executive, which of the following two alternative forms of payment shall be paid to the Executive: (A) payment in full of the entire amount of the Payment (a "**Full Payment**"), or (B) payment of only a part of the Payment so that Executive receives the largest payment possible without the imposition of the Excise Tax (a "**Reduced Payment**"). A Full Payment shall be made in the event that the amount

received by the Executive on a net after-tax basis is greater than what would be received by the Executive on a net after-tax basis if the Reduced Payment were made, otherwise a Reduced Payment shall be made. If a Reduced Payment is made, (i) the Payment shall be paid only to the extent permitted under the Reduced Payment alternative, and the Executive shall have no rights to any additional payments and/or benefits constituting the Payment, and (ii) reduction in payments and/or benefits shall occur in the following order: (A) reduction of cash payments; (B) cancellation of accelerated vesting of equity awards other than stock options; (C) cancellation of accelerated vesting of stock options; and (D) reduction of other benefits paid to Executive. In the event that acceleration of compensation from the Executive's equity awards is to be reduced, such acceleration of vesting shall be canceled in the reverse order of the date of grant.

(c) The independent registered public accounting firm engaged by the Company for general audit purposes as of the day prior to the effective date of the Change in Control, or a nationally recognized law firm, shall make all determinations required to be made under this Section 5. If the independent registered public accounting firm or nationally recognized law firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, the Company shall appoint a nationally recognized law firm or independent registered public accounting firm or law firm to make the determinations required hereunder. The Company shall bear all expenses with respect to the determinations by such independent registered public accounting firm required to be made hereunder.

(d) The independent registered public accounting firm or law firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to the Company and the Executive within fifteen (15) calendar days after the date on which Executive's right to a Payment is triggered (if requested at that time by the Company or Executive) or such other time as requested by the Company or Executive. Any good faith determinations of the accounting firm or law firm made hereunder shall be final, binding and conclusive upon the Company and Executive.

(e) The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment.

6. CONFIDENTIALITY.

(a) **Confidentiality.** Without the prior written consent of the Company, except (y) as reasonably necessary in the course of carrying out the Executive's duties hereunder or (z) to the extent required by an order of a court having competent jurisdiction or under subpoena from an appropriate government agency, the Executive shall not disclose any Confidential Information unless such Confidential Information has been previously disclosed to the public by the Company or has otherwise become available to the public (other than by reason of the Executive's breach of this Section 6(a)). The term "**Confidential Information**" shall

include, but shall not be limited to: (i) the identities of the existing and prospective customers or clients of the Company and its Affiliates, including names, addresses, credit status, and pricing levels; (ii) the buying and selling habits and customs of existing and prospective customers or clients of the Company and its Affiliates; (iii) financial information about the Company and its Affiliates; (iv) product and systems specifications, concepts for new or improved products and other product or systems data; (v) the identities of, and special skills possessed by, employees of the Company and its Affiliates; (vi) the identities of and pricing information about the suppliers and vendors of the Company and its Affiliates; (vii) training programs developed by the Company or its Affiliates; (viii) pricing studies, information and analyses; (ix) current and prospective products and inventories; (x) financial models, business projections and market studies; (xi) the financial results and business conditions of the Company and its Affiliates; (xii) business plans and strategies of the Company and its Affiliates; (xiii) special processes, procedures, and services of suppliers and vendors of the Company and its Affiliates; and (xiv) computer programs and software developed by the Company or its Affiliates.

(b) **Company Property.** Promptly following the Executive's termination of employment, the Executive shall return to the Company all property of the Company, and all copies thereof in the Executive's possession or under the Executive's control, except that the Executive may retain the Executive's personal notes, diaries, rolodexes, mobile devices, calendars and correspondence of a personal nature. All business procured by Executive and all related business opportunities and plans made known to Executive while Executive is employed by or providing services to the Company shall remain the permanent and exclusive property of the Company.

(c) **Nonsolicitation.** The Executive agrees that, while the Executive is employed by the Company and during the one-year period following the Executive's termination of employment with the Company (the "**Restricted Period**"), the Executive shall not directly or indirectly, (i) solicit any individual who is, on the Termination Date (or was, during the six-month period prior to the Termination Date), employed by the Company or its Affiliates to terminate or refrain from renewing or extending such employment or to become employed by or become a consultant to any other individual or entity other than the Company or its Affiliates or (ii) induce or attempt to induce any customer or investor (in each case, whether former, current or prospective), supplier, licensee or other business relation of the Company or any of its affiliates to cease doing business with the Company or such Affiliate, or in any way interfere with the relationship between any such customer, investor, supplier, licensee or business relation, on the one hand, and the Company or any of its Affiliates, on the other hand.

(d) **Noncompetition.** The Executive agrees that, during the Restricted Period, the Executive will not engage in Competition (as defined below). The Executive shall be deemed to be engaging in "**Competition**" if he, directly or indirectly, anywhere in the continental United States in which the Company conducts business or has plans to conduct business, owns, manages, operates, controls or participates in the ownership, management, operation or control of or is connected as an officer, employee, partner, director, consultant or otherwise with, or has any financial interest in, any business (whether through a corporation or other entity) engaged in any business activity that could be deemed to be competitive with one or more of the principal lines of business conducted by the Company and its Affiliates, taken as a whole. Ownership for

personal investment purposes only of less than 2% of the voting stock of any publicly held corporation shall not constitute a violation hereof.

(e) **Equitable Remedies.** The Executive acknowledges that the Company would be irreparably injured by a violation of Section 6 and the Executive agrees that the Company, in addition to any other remedies available to it for such breach or threatened breach, on meeting the standards required by law, shall be entitled to a preliminary injunction, temporary restraining order, or other equivalent relief, restraining the Executive from any actual or threatened breach of Section 6. If a bond is required to be posted in order for the Company to secure an injunction or other equitable remedy, the parties agree that said bond need not be more than a nominal sum.

(f) **Employee Proprietary Information and Inventions Assignment.** The terms of that certain Employee Proprietary Information, Inventions Assignment and Non-Competition Agreement between the Executive and the Company are hereby incorporated by reference (the "*Invention Assignment Agreement*"). To the extent that there are any conflicts between the terms and conditions of the Invention Assignment Agreement and this Agreement, the terms and conditions of this Agreement shall control. All non-conflicting terms of the Invention Assignment Agreement are hereby expressly preserved.

(g) **Severability; Blue Pencil.** The Executive acknowledges and agrees that the Executive has had the opportunity to seek advice of counsel in connection with this Agreement and the restrictive covenants contained herein are reasonable in geographical scope temporal duration and in all other respects. If it is determined that any provision of this Section 6 is invalid or unenforceable, the remainder of the provisions of this Section 6 shall not thereby be affected and shall be given full effect, without regard to the invalid portions. If any court or other decision-maker of competent jurisdiction determines that any of the covenants in this Section 6 is unenforceable because of the duration or geographic scope of such provision, then after such determination becomes final and unappealable, the duration or scope of such provision, as the case may be, shall be reduced so that such provision becomes enforceable, and in its reduced form, such provision shall be enforced.

7. SUCCESSORS.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns and any party acting in the form of a receiver or trustee capacity.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such

succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

8. MISCELLANEOUS.

(a) This Agreement shall be construed, and the rights and obligations of the parties hereunder determined, in accordance with the substantive laws of the State of Michigan, without regard to its conflict-of-laws principles. For the purposes of any suit, action or proceeding based upon, arising out of or relating to this Agreement or the negotiation, execution or performance hereof, the parties hereby expressly submit to the jurisdiction of all federal and state courts sitting within the confines of the Federal Eastern District of Michigan (the "*Venue Area*") and consent that any order, process, notice of motion or other application to or by any such court or a judge thereof may be served within or without such court's jurisdiction by registered mail or by personal service in accordance with Section 8(b). The parties agree that such courts shall have the exclusive jurisdiction over any such suit, action or proceeding commenced by either or both of said parties. Each party hereby irrevocably waives any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding based upon, arising out of or relating to this Agreement or the negotiation, execution or performance hereof, brought in any federal or state court sitting within the confines of the Venue Area and hereby further irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive, to the address maintained in the Company's records.

If to the Company: Conifer Holdings, Inc.
550 West Merrill Street, Suite 200
Birmingham, Michigan 48009
Attn: General Counsel
Telephone: (248) 559-0840

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) From and after the Commencement Date, the Company shall cover the Executive under directors' and officers' liability insurance both during and, while potential

liability exists, after the Employment Period in the same amount and to the same extent as the Company covers its other executive officers and directors.

(e) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(f) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to effect a Termination for Good Reason shall not be deemed to be a waiver of such provision of right or any other provision or right of this Agreement.

(g) This Agreement, the Invention Assignment Agreement, and all agreements, documents, instruments, schedules, exhibits or certificates prepared in connection herewith, represent the entire understanding and agreement between the parties with respect to the subject matter hereof, supersede all prior agreements or negotiations between such parties and may be amended, supplemented or changed only by an agreement in writing which makes specific reference to this Agreement or the agreement or document delivered pursuant hereto, as the case may be, and which is signed by the party against whom enforcement of any such amendment, supplement or modification is sought.


SIGNATURES ON THE FOLLOWING PAGE

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

THE EXECUTIVE: _____ THE COMPANY: _____



BRIAN J. RONEY

CONIFER HOLDINGS, INC.
By: 

Name: James G. Fetcoff
Title: Chairman and CEO

EXHIBIT A

FORM OF WAIVER AND RELEASE

PLEASE READ THIS WAIVER AND RELEASE CAREFULLY. IT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS UP TO AND INCLUDING THE DATE OF EXECUTION OF THIS WAIVER AND RELEASE.

1. For and in consideration of the payments and other benefits due to [Insert Name] (the "*Executive*") pursuant to that certain Employment Agreement (the "*Employment Agreement*") dated [date], by and between CONIFER HOLDINGS, INC., a Michigan corporation (the "*Company*"), and the Executive, and for other good and valuable consideration, including the mutual promises made herein, the Executive and the Company irrevocably and unconditionally release and forever discharge each other and each and all of their present and former officers, agents, directors, managers, employees, representatives, affiliates, shareholders, members, and each of their successors, heirs and assigns, and all persons acting by, through, under or in concert with it, and in each case individually and in their official capacities (collectively, the "*Released Parties*"), from any and all charges, complaints, grievances, claims and liabilities of any kind or nature whatsoever, known or unknown, suspected or unsuspected (hereinafter referred to as "*claim*" or "*claims*") which either party at any time heretofore had or claimed to have or which either party may have or claim to have regarding events that have occurred up to and including the date of the execution of this Release, including, without limitation, any and all claims related, in any manner, to the Executive's employment or the termination thereof. In particular, each party understands and agrees that the parties' release includes, without limitation, all matters arising under any federal, state, or local law, including civil rights laws and regulations prohibiting employment discrimination on the basis of race, color, religion, age, sex, national origin, ancestry, disability, medical condition, veteran status, marital status and sexual orientation, or any other characteristic protected by federal, state or local law including, but not limited to, claims under Title VII of the Civil Rights Act of 1964, as amended, the Age Discrimination in Employment Act of 1967, as amended, the Older Workers Benefit Protection Act of 1990, as amended, the Americans with Disabilities Act, the Rehabilitation Act, the Occupational Safety and Health Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act of 1974, as amended (except as to vested retirement benefits, if any), the Worker Adjustment and Retraining Notification Act, federal and state wage and hour laws, or any common law, public policy, contract (whether oral or written, express or implied) or tort law, or any other federal, state or local law, regulation, ordinance or rule having any bearing whatsoever.

2. The Executive must sign and return this Release to the Company on or before the 30th day following the Termination Date (as defined in the Employment Agreement). The Executive can revoke this Release on or before the seventh day following the date of delivery of this Release to the Company, by sending written notification of the Executive's intent to revoke this Release to the Company. This Release shall not become effective or enforceable until the seven-day revocation period has expired. All correspondence pursuant to this Section 2 must be sent to the attention of the Corporate Secretary at [____], by personal delivery or guaranteed overnight delivery.

3. The Executive and the Company acknowledge that they may have sustained losses that are currently unknown or unsuspected, and that such damages or losses could give rise to additional causes of action, claims, demands and debts in the future. Nevertheless, the Executive and the Company each acknowledge that this Release has been agreed upon in light of this realization and, being fully aware of this situation, the Executive and the Company nevertheless intend to release each other from any and all such unknown claims, including damages which are unknown or unanticipated. The parties understand the word "claims" to include all actions, claims, and grievances, whether actual or potential, known or unknown, and specifically but not exclusively all claims arising out of the Executive's employment and the termination thereof. All such "claims" (including related attorneys' fees and costs) are forever barred by this Release and without regard to whether those claims are based on any alleged breach of a duty arising in a statute, contract, or tort; any alleged unlawful act, including, without limitation, age discrimination; any other claim or cause of action; and regardless of the forum in which it might be brought.

4. Notwithstanding anything else herein to the contrary, this Release shall not affect, and the Executive and the Company, as applicable, do not waive or release: (a) rights to indemnification the Executive may have under (i) applicable law, (ii) any other agreement between the Executive and a Released Party and (iii) as an insured under any director's and officer's liability or other insurance policy now or previously in force; (b) any right the Executive may have to obtain contribution in the event of the entry of judgment against the Executive as a result of any act or failure to act for which both the Executive and any of the Company or its affiliates or subsidiaries (collectively, the "*Affiliated Entities*") are or may be jointly responsible; (c) the Executive's rights to benefits and payments under any stock options, restricted stock, restricted stock units or other incentive plans or under any retirement plan, welfare benefit plan or other benefit or deferred compensation plan, all of which shall remain in effect in accordance with the terms and provisions of such benefit and/or incentive plans and any agreements under which such stock options, restricted shares, restricted stock units or other awards or incentives were granted or benefits were made available; (d) the Executive's rights as a shareholder of any of the Affiliated Entities; (e) any obligations of the Affiliated Entities under the Employment Agreement; (f) claims for improper self-dealing; improper distributions and other limitations imposed by applicable law; (g) any finally and judicially determined, knowing violation of the law by the Executive that has a material and adverse impact on the Company; (h) any fraud or other intentional misconduct by the Executive that has a material and adverse impact on the Company; (i) any material violation of any confidentiality, nonsolicitation or noncompetition agreement or provision executed by the Executive; or (j) any other claim not subject to release by operation of law.

5. The Executive acknowledges and agrees that the Executive: (a) has been given at least 21 days within which to consider this Release and its ramifications and discuss the terms of this Release with the Company before executing it (and that any modification of this Release, whether material or immaterial, will not restart or change the original 21-day consideration period) and the Executive fully understands that by signing below the Executive is voluntarily giving up any right which the Executive may have to sue or bring any other claims against the Released Parties; (b) has been given seven days after delivering this Release to the Company to revoke this Release; (c) has been advised to consult legal counsel regarding the terms of this Release; (d) has carefully read and fully understands all of the provisions of this Release;

(e) knowingly and voluntarily agrees to all of the terms set forth in this Release; and
(f) knowingly and voluntarily intends to be legally bound by the same. The Executive also understands that, notwithstanding anything in this Release to the contrary, nothing in this Release shall be construed to prohibit the Executive from (y) filing a charge or complaint with the Equal Employment Opportunity Commission or any other federal, state or local administrative or regulatory agency, or (z) participating in any investigation or proceedings conducted by the Equal Employment Opportunity Commission or any other federal, state or local administrative or regulatory agency; however, the Executive expressly waives the right to any relief of any kind in the event that the Equal Employment Opportunity Commission or any other federal, state or local administrative or regulatory agency pursues any claim on the Executive's behalf.

6. This Release is final and binding and may not be changed or modified except in a writing signed by both parties.

[INSERT NAME]

Dated: _____

Exhibit 21.1

Subsidiaries of Conifer Holdings, Inc.

Subsidiary	State of Formation
American Colonial Insurance Services f/k/a EGI Insurance Services (Florida)	Florida
Conifer Insurance Company	Michigan
Red Cedar Insurance Company	District of Columbia
Sycamore Insurance Agency	Michigan
White Pine Insurance Company	Michigan
Venture Agency Holdings, Inc. (50% ownership)	Michigan

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-206355 on Form S-8 of our report dated March 15, 2017, relating to the consolidated financial statements and financial statement schedules of Conifer Holdings, Inc., appearing in this Annual Report on Form 10-K of Conifer Holdings, Inc. for the year ended December 31, 2016.

/s/ Deloitte & Touche LLP

Detroit, MI
March 15, 2017

CHIEF EXECUTIVE OFFICER'S 302 CERTIFICATION

I, James G. Petcoff, certify that:

1. I have reviewed this Annual Report on Form 10-K of Conifer Holdings, Inc. for the year ended December 31, 2016;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2017

/s/ James G. Petcoff

James G. Petcoff

Chief Executive Officer

(principal executive officer)

CHIEF FINANCIAL OFFICER'S 302 CERTIFICATION

I, Harold J. Meloche, certify that:

1. I have reviewed this Annual Report on Form 10-K of Conifer Holdings, Inc. for the year ended December 31, 2016;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2017

/s/ Harold J. Meloche

Harold J. Meloche

Chief Financial Officer

(principal financial officer)

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

In connection with the Annual Report of Conifer Holdings, Inc. (the "Company") on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James G. Petcoff, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 15, 2017

/s/James G. Petcoff

James G. Petcoff

Chief Executive Officer

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

In connection with the Annual Report of Conifer Holdings, Inc. (the "Company") on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Harold J. Meloche, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 15, 2017

/s/ Harold J. Meloche

Harold J. Meloche

Chief Financial Officer