

Section 1: 10-K

**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, 2019

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 001-36366

1347 Property Insurance Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State of incorporation)

46-1119100

(I.R.S Employer Identification No.)

970 Lake Carillon Dr., Suite 314, Saint Petersburg, FL

(Address of principal executive offices)

33716

(Zip Code)

(813)-579-6213

(Registrant's telephone number)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value \$0.001 per share	PIH	The Nasdaq Stock Market LLC
8.00% Cumulative Preferred Stock, Series A, par value \$25.00 per share	PIHPP	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

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

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

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input checked="" type="checkbox"/>	Smaller Reporting Company	<input checked="" type="checkbox"/>
Emerging Growth Company	<input type="checkbox"/>		

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

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

The aggregate market value of the Registrant's common stock held by non-affiliates was \$16,285,205 on June 28, 2019, computed on the basis of the closing sale price of the Registrant's common stock on that date.

As of March 25, 2020, the total number of common shares outstanding of the Registrant's common stock was 6,068,106.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2020 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

1347 PROPERTY INSURANCE HOLDINGS, INC.

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PART I

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These statements are therefore entitled to the protection of the safe harbor provisions of these laws. These statements may be identified by the use of forward-looking terminology such as “anticipate,” “believe,” “budget,” “can,” “contemplate,” “continue,” “could,” “envision,” “estimate,” “expect,” “evaluate,” “forecast,” “goal,” “guidance,” “indicate,” “intend,” “likely,” “may,” “might,” “outlook,” “plan,” “possibly,” “potential,” “predict,” “probable,” “probably,” “pro-forma,” “project,” “seek,” “should,” “target,” “view,” “will,” “would,” “will be,” “will continue,” “will likely result” or the negative thereof or other variations thereon or comparable terminology. In particular, discussions and statements regarding the Company’s future business plans and initiatives are forward-looking in nature. We have based these forward-looking statements on our current expectations, assumptions, estimates, and projections. While we believe these to be reasonable, such forward-looking statements are only predictions and involve a number of risks and uncertainties, many of which are beyond our control. These and other important factors may cause our actual results, performance, or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements, and may impact our ability to implement and execute on our future business plans and initiatives. Management cautions that the forward-looking statements in this Annual Report on Form 10-K are not guarantees of future performance, and we cannot assume that such statements will be realized or the forward-looking events and circumstances will occur. Factors that might cause such a difference include, without limitation: risks associated with our limited business operations since the closing of the Asset Sale; risks associated with our inability to identify and realize business opportunities, and the undertaking of any new such opportunities, following the Asset Sale; our ability to spend or invest the net proceeds from the Asset Sale in a manner that yields a favorable return; general conditions in the global economy, including the impact of health and safety concerns from the current outbreak of the COVID-19 coronavirus; our lack of operating history or established reputation in the reinsurance industry; our inability to obtain or maintain the necessary approvals to operate reinsurance subsidiaries; risks associated with operating in the reinsurance industry, including inadequately priced insured risks, credit risk associated with brokers we may do business with, and inadequate retrocessional coverage; our inability to execute on our investment and investment management strategy, including our strategy to invest in real estate assets; potential loss of value of investments; risk of becoming an investment company; fluctuations in our short-term results as we implement our new business strategy; risks of not having a Chief Executive Officer and being unable to attract and retain qualified management and personnel to implement and execute on our business and growth strategy; failure of our information technology systems, data breaches and cyber-attacks; our ability to establish and maintain an effective system of internal controls; our limited operating history as a publicly traded company; the requirements of being a public company and losing our status as a smaller reporting company or becoming an accelerated filer; any potential conflicts of interest between us and our controlling stockholders and different interests of controlling stockholders; potential conflicts of interest between us and our directors and executive officers; volatility or decline of the shares of FedNat Holding Company common stock received by us as consideration in the Asset Sale or limitations and restrictions with respect to our ownership of such shares; risks of being a minority stockholder of FedNat Holding Company; and risks of our inability to continue to satisfy the continued listing standards of the Nasdaq following completion of the Asset Sale.

Our expectations and future plans and initiatives may not be realized. If one of these risks or uncertainties materialize, or if our underlying assumptions prove incorrect, actual results may vary materially from those expected, estimated or projected. You are cautioned not to place undue reliance on forward-looking statements. The forward-looking statements included or incorporated by reference to the Form 10-K are made only as of the date hereof and do not necessarily reflect our outlook at any other point in time. We do not undertake and specifically decline any obligation to update any such statements or to publicly announce the results of any revisions to any such statements to reflect new information, future events or developments.

1347 PROPERTY INSURANCE HOLDINGS, INC.

ITEM 1. BUSINESS

Overview

1347 Property Insurance Holdings, Inc. (“PIH”, the “Company”, “we”, or “us”) is a holding company which previously specialized in providing personal property insurance in coastal markets including those in Louisiana, Texas and Florida. We were incorporated on October 2, 2012 in the State of Delaware under the name Maison Insurance Holdings, Inc., and changed our legal name to 1347 Property Insurance Holdings, Inc. on November 19, 2013. On March 31, 2014, we completed an initial public offering of our common stock. Prior to the offering, we were a wholly owned subsidiary of Kingsway America Inc., which, in turn, is a wholly owned subsidiary of Kingsway Financial Services Inc., or KFSI, a publicly owned Delaware holding company. As of December 31, 2019, KFSI and its affiliates held warrants that, if exercised, would cause KFSI and its affiliates to hold an approximate 20% ownership interest in our common stock. In addition, as of December 31, 2019, Fundamental Global Investors, LLC and its affiliates, or FGI, beneficially owned approximately 45% of our outstanding shares of common stock. D. Kyle Cerminara, Chairman of our Board of Directors, serves as Chief Executive Officer, Co-Founder and Partner of FGI, and Lewis M. Johnson, Co-Chairman of our Board of Directors, serves as President, Co-Founder and Partner of FGI.

Sale of the Maison Business

On December 2, 2019, we completed the sale of all of the issued and outstanding equity of three of the Company’s wholly-owned subsidiaries, Maison Insurance Company (“Maison”), Maison Managers Inc. (“MMI”) and ClaimCor, LLC (“ClaimCor” and, together with Maison and MMI, the “Maison Business” or the “Insurance Companies”), to FedNat Holding Company, a Florida corporation (“FedNat”), pursuant to the terms and conditions of the Equity Purchase Agreement, dated as of February 25, 2019 (the “Purchase Agreement”), by and among the Company and each of Maison, MMI and ClaimCor, on the one hand, and FedNat, on the other hand (the “Asset Sale”).

The Company has classified the Maison Business as discontinued operations for all periods presented in this report.

As consideration for the Asset Sale, FedNat paid the Company \$51.0 million, consisting of \$25.5 million in cash and \$25.5 million in FedNat’s common stock, or 1,773,102 shares of common stock. The stock consideration was determined by dividing \$25.5 million by the weighted average closing price per share of FedNat’s common stock on the Nasdaq Stock Market during the 20-trading day period immediately preceding December 2, 2019. In addition, upon the closing of the Asset Sale, \$18.0 million of outstanding surplus note obligations payable by Maison to the Company, plus all accrued but unpaid interest, was repaid to the Company.

All of the employees of the Company became employees of FedNat as of the closing of the Asset Sale, other than John S. Hill, then serving as Vice President, Chief Financial Officer and Secretary of the Company and now serving as Executive Vice President, Chief Financial Officer and Secretary, and Brian D. Bottjer, then serving as Controller of the Company and now serving as Senior Vice President and Controller. Douglas N. Raucy, the Company’s former President and Chief Executive Officer and a director, and Dean E. Stroud, the Company’s former Vice President and Chief Underwriting Officer, resigned from all positions with the Company, and have entered into employment agreements with FedNat, effective December 2, 2019.

On December 31, 2019, the shares of FedNat common stock issued to the Company in connection with the Asset Sale were registered under the Securities Act of 1933, as amended (the “Securities Act”), pursuant to the terms of the Registration Rights Agreement entered into by the Company and FedNat at the closing of the Asset Sale.

In addition to the Registration Rights Agreement, the Company and FedNat entered into a Standstill Agreement, a Reinsurance Capacity Right of First Refusal Agreement (the “Reinsurance Agreement”), an Investment Advisory Agreement and a Transition Services Agreement at the closing of the Asset Sale.

Standstill Agreement

The Standstill Agreement imposes certain limitations and restrictions with respect to the voting securities of FedNat (including shares of FedNat common stock) that are owned or held beneficially or of record by the Company. Under the Standstill Agreement, the Company has agreed to vote all of the voting securities of FedNat beneficially owned by the Company in accordance with the recommendation of the board of directors of FedNat with respect to any matter that is before the stockholders of FedNat for a vote by such stockholders. The Standstill Agreement imposes limitations on the sale of voting securities of FedNat held by the Company and restricts the Company from taking certain actions as a holder of voting securities of FedNat. The term of the Standstill Agreement is five years.

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For insurance regulatory purposes, the Company has waived any rights that it may have to exercise control of FedNat.

Reinsurance Capacity Right of First Refusal Agreement

The Reinsurance Agreement provides the Company with a right of first refusal to sell reinsurance coverage to the insurance company subsidiaries of FedNat, providing reinsurance on up to 7.5% of any layer in FedNat's catastrophe reinsurance program, subject to the annual reinsurance limit of \$15.0 million, on the terms and subject to the conditions set forth in the Reinsurance Agreement. All reinsurance sold by the Company pursuant to the right of first refusal, if any, will be memorialized in an agreement in such form and subject to such terms and conditions as are customary in the property and casualty insurance industry. The Reinsurance Agreement is assignable by the Company subject to conditions set forth in the agreement. The term of the Reinsurance Agreement is five years.

Investment Advisory Agreement

Pursuant to the Investment Advisory Agreement, Fundamental Global Advisors LLC, a wholly-owned subsidiary of the Company ("Advisor"), was formed to provide investment advisory services to FedNat, including identifying, analyzing and recommending potential investments, advising as to existing investments and investment optimization, recommending investment dispositions, and providing advice regarding macro-economic conditions. In exchange for providing the investment advisory services, FedNat has agreed to pay Advisor an annual fee of \$100,000. FGI Funds Management, LLC will serve as the manager to the Advisor. FGI Funds Management, LLC is affiliated with Fundamental Global Investors, LLC, the Company's largest stockholder. The term of the Investment Advisory Agreement is five years.

Transition Services Agreement

To facilitate the transition following the Asset Sale, the Company and FedNat entered into a Transition Services Agreement, pursuant to which the Company has agreed to provide certain transition accounting services to FedNat and the Insurance Companies, as requested, and FedNat has agreed to arrange for certain prior employees of the Company who became employees of the FedNat in connection with the Asset Sale to provide transition accounting services to the Company, as requested, on the terms and conditions set forth in the Transition Services Agreement.

Business Going Forward

Going forward, the Company intends to operate as a diversified holding company of reinsurance and investment management businesses. Subject to the approval of the Company's stockholders at the Company's 2020 Annual Meeting, the Company intends to change its name to "Fundamental Global Financial Corporation" to align with its future business plans. Fundamental Global Financial Corporation ("FGFC") plans to carry out its business through three primary avenues, insurance, asset management, and real estate. The Company also intends to change the ticker symbols for its common stock and 8.00% cumulative preferred stock, Series A, and has reserved with Nasdaq the ticker symbols "FGI" and "FGIPP," respectively.

Insurance:

The Company is in the process of forming a wholly owned reinsurance subsidiary, Fundamental Global Reinsurance Ltd., to provide specialty property and casualty reinsurance. Fundamental Global Reinsurance Ltd. is expected to have a Class B (iii) insurer license in accordance with the terms of The Insurance Law, 2010 and underlying regulations thereto and will be subject to regulation by the Cayman Islands Monetary Authority.

Asset Management:

The Company has formed a wholly owned subsidiary, Fundamental Global Advisors, LLC to serve as an investment advisor to FedNat Holding Company under the investment advisory agreement entered into at the closing of the Asset Sale. In addition, the Company intends to form a joint venture with Fundamental Global Investors, LLC to sponsor investment advisors that will manage private funds ranging the full spectrum of alternative equities, fixed income, private equity and real estate. FGFC will seek to benefit from the growth of the assets under management of the investment advisors it sponsors and the performance of the funds they manage.

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Real Estate:

FGFC plans to purchase controlling interests in income producing real estate assets. FGFC will seek to benefit from underlying rental income on long-term leases with high quality tenants as well as the capital appreciation from the underlying real estate assets.

Employees

As of December 31, 2019 we had two employees. We are not a party to any collective bargaining agreement and believe that relations with our employees are satisfactory. Each of our employees has entered into confidentiality agreements with us.

Website

Our corporate website is www.1347pih.com. Our website is provided as an inactive textual reference only.

ITEM 1A. RISK FACTORS

We have had limited business operations since the closing of the Asset Sale.

Since the closing of the Asset Sale, we are no longer engaged in the retail insurance and claims adjustment businesses and have had limited business operations as we evaluate the alternatives for the use of proceeds from the Asset Sale and evaluate our business strategy going forward. Our revenue has also been reduced, as we have limited assets with which to generate revenue. Our failure to secure additional sources of revenue may have a material impact on our results of operations and financial condition. In addition, the uncertainty surrounding our future operations and business prospects may negatively impact the value and liquidity of our common stock.

As a result of the Asset Sale, we are a very small public company with a large cash balance relative to our market capitalization.

As of December 31, 2019, we had approximately \$28.5 million in cash and cash equivalents and \$33.5 million in investments. We expect to invest significant funds into the implementation of our new business strategy, which will increase our operating expenses. Until we secure additional revenue streams, we may lose a significant amount of cash, which may have a material adverse effect on our results of operations and financial condition. In addition, the value of our investments may be materially adversely affected by financial market performance, general economic conditions, and other factors that may result in the recognition of other-than-temporary impairments. Each of these events may cause us to reduce the carrying value of our investment portfolio and may adversely affect our results of operations.

We also remain subject to the listing standards of Nasdaq and SEC rules and regulations, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Sarbanes-Oxley Act of 2002, and have an obligation to continue to comply with the applicable reporting requirements of the Exchange Act even though compliance with these reporting requirements is economically burdensome. Unless we decide to deregister our shares and suspend our periodic reporting obligations under the Exchange Act, we will continue to incur ongoing operating expenses related to our status as a reporting issuer. While all public companies face the costs and burdens associated with being publicly traded, given our limited business operations, the costs and burdens of being a public company may be material.

The uncertainty regarding the use of proceeds from the Asset Sale and our future operations may negatively impact the value and liquidity of our common stock.

Our Board continues to evaluate various alternatives for the use of proceeds from the Asset Sale as it considers and finalizes our business strategy going forward. Our Board has broad discretion in finalizing the use of proceeds, which our investors may not agree with. This uncertainty may negatively impact the value and liquidity of our common stock.

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Unfavorable global economic conditions, including as a result of health and safety concerns, could adversely affect our business, financial condition or results of operations.

Our results of operations and the implementation of our new business strategy could be adversely affected by general conditions in the global economy, including conditions that are outside of our control, such as the impact of health and safety concerns from the current outbreak of the COVID-19 coronavirus. The most recent global financial crisis caused by the coronavirus resulted in extreme volatility and disruptions in the capital and credit markets. A severe or prolonged economic downturn could result in a variety of risks to our business and could delay the implementation of our new business strategy.

Additionally, adverse events such as health-related concerns about working in our offices, the inability to travel and other matters affecting the general work environment could harm our business and our business strategy. While we do not anticipate any material impact to our business operations as a result of the coronavirus, in the event of a major disruption caused by the outbreak of pandemic diseases such as coronavirus, we may lose the services of our employees or experience system interruptions, which could lead to diminishment of our business operations. Any of the foregoing could harm our business and delay the implementation of our business strategy and we cannot anticipate all the ways in which the current global health crisis and financial market conditions could adversely impact our business.

Management is actively monitoring the global situation on its financial condition, liquidity, operations, industry and workforce. Given the daily evolution of the coronavirus and the global responses to curb its spread, the Company is not able to estimate the effects of the coronavirus on its results of operations, financial condition or liquidity for fiscal year 2020.

We are subject to non-competition and non-solicitation covenants under the Purchase Agreement, which may limit our operations in certain respects.

We are subject to the non-competition and non-solicitation covenants in the Purchase Agreement until December 2, 2024. During this period of time, subject to certain exceptions, we will generally be prohibited from (i) marketing, selling and issuing residential property and casualty insurance policies to residential consumers anywhere in the States of Alabama, Florida, Georgia, Louisiana, South Carolina and Texas (a “Restricted Business”), and owning the equity securities of, managing, operating or controlling any person that engages in a Restricted Business, (ii) hiring or soliciting certain employees of FedNat or the companies sold under the terms of the Purchase Agreement, and (iii) soliciting or accepting business from certain third parties on any customer, agent or vendor list of Maison, MMI, or ClaimCor in connection with a Restricted Business. The non-competition covenant does not apply to our reinsurance business, and we will be permitted to enter into reinsurance contracts in the States of Alabama, Florida, Georgia, Louisiana, South Carolina and Texas.

The limitations set forth in the non-competition and non-solicitation covenants may negatively impact the scope of our future operations, limit our recruitment of key employees, restrict our ability to enter into strategic relationships, and impair our ability to pursue certain business alternatives, which may adversely affect our business, results of operations, financial condition, and stock price.

We do not have an operating history or established reputation in the reinsurance industry, and our lack of an established operating history and reputation may make it difficult for us to attract or retain business.

As part of our business going forward, we plan to provide specialty property and casualty reinsurance through PIH Re, Ltd., our reinsurance subsidiary domiciled under the laws of Bermuda, and Fundamental Global Reinsurance Ltd., a reinsurance subsidiary we are in the process of forming under the laws of the Cayman Islands. We will not have an operating history on which we can base an estimate of our future earnings prospects. We also do not have an established reputation in the reinsurance industry. Reputation is a very important factor in the reinsurance industry, and competition for business is, in part, based on reputation. Although we expect that our reinsurance policies will be fully collateralized, we will be a relatively newly formed reinsurance company and do not yet have a well-established reputation in the reinsurance industry. Our lack of an established reputation may make it difficult for us to attract or retain business. We will compete with major reinsurers, all of which have substantially greater financial marketing and management resources than we do, which may make it difficult for us to effectively market our products or offer our products at a profit. In addition, we do not have or currently intend to obtain financial strength ratings, which may discourage certain counterparties from entering into reinsurance contracts with us.

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Our failure to obtain or maintain approval of insurance regulators and other regulatory authorities as required for the operations of our reinsurance subsidiary may have a material adverse effect on our future business, financial condition, results of operations and prospects.

Our reinsurance subsidiary, PIH Re, Ltd., as a Bermuda domiciled entity, is required to maintain licenses. PIH Re, Ltd. is registered as a reinsurer only in Bermuda. Bermuda insurance statutes and regulations and policies of the Bermuda Monetary Authority, or “BMA,” require that PIH Re, Ltd., among other things, maintain a minimum level of capital and surplus, satisfy solvency standards, restrict dividends and distributions, obtain prior approval or provide notification to the BMA of certain transactions, maintain a head office, and have certain officers and a director resident in Bermuda, appoint and maintain a principal representative in Bermuda and provide for the performance of certain periodic examinations of itself and its financial conditions. A failure to meet these conditions may result in the suspension or revocation of its license to do business as a reinsurance company in Bermuda, which would mean that PIH Re, Ltd. would not be able to enter into any new reinsurance contracts until the suspension ended or it became licensed in another jurisdiction. For any or a number of reasons, the BMA could revoke or suspend PIH Re, Ltd.’s license. Any such suspension or revocation of its license would negatively impact its and our reputation in the reinsurance marketplace and could have a material adverse effect on our results of operations.

We are also in the process of forming a new reinsurance subsidiary, Fundamental Global Reinsurance Ltd., to provide specialty property and casualty reinsurance. We expect that Fundamental Global Reinsurance Ltd. will have a Class B (iii) insurer license in accordance with the terms of The Insurance Law, 2010 and underlying regulations thereto, and will be subject to regulation by the Cayman Islands Monetary Authority. Failure to comply with the laws, regulations and requirements applicable to a Cayman Islands-domiciled reinsurance subsidiary could result in consequences which may have a material adverse effect on our business and results of operations.

In addition, other reinsurance subsidiaries we may form in other foreign jurisdictions will be subject to the requirements of those jurisdictions, and we may fail to comply with the applicable regulatory requirements.

As a reinsurer, we will depend on our clients’ evaluations of the risks associated with their insurance underwriting, which may subject us to reinsurance losses.

In the proportional reinsurance business, in which we will assume an agreed percentage of each underlying insurance contract being reinsured, or quota share contracts, we do not plan to separately evaluate each of the original individual risks assumed under these reinsurance contracts. We will therefore be largely dependent on the original underwriting decisions made by ceding companies, which will subject us to the risk that the clients may not have adequately evaluated the insured risks and that the premiums ceded may not adequately compensate us for the risks we assume. We also do not plan to separately evaluate each of the individual claims made on the underlying insurance contracts under quota share arrangements, in which case we will be dependent on the original claims decisions made by our clients.

The involvement of reinsurance brokers may subject us to their credit risk.

As a standard practice of the reinsurance industry, reinsurers frequently pay amounts owed on claims under their policies to reinsurance brokers, and these brokers, in turn, remit these amounts to the ceding companies that have reinsured a portion of their liabilities with the reinsurer. In some jurisdictions, if a broker fails to make such a payment, the reinsurer might remain liable to the client for the deficiency notwithstanding the broker’s obligation to make such payment. Conversely, in certain jurisdictions, when the client pays premiums for policies to reinsurance brokers for payment to the reinsurer, these premiums are considered to have been paid and the client will no longer be liable to the reinsurer for these premiums, whether or not the reinsurer has actually received them from the broker. Consequently, as a reinsurer, we expect to assume a degree of credit risk associated with the brokers that we intend to do business with.

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We may be unable to purchase retrocessional reinsurance for the liabilities we reinsure, and if we successfully purchase such retrocessional reinsurance, we may be unable to collect, which could adversely affect our business, financial condition and results of operations.

Retrocessional coverage (reinsurance for the liabilities we reinsure) may not always be available to us or may not always be available at acceptable terms. From time to time, as a reinsurer we expect that we will purchase retrocessional coverage for our own account in order to mitigate the effect of a potential concentration of losses upon our financial condition. The insolvency or inability or refusal of a retrocessional reinsurer to make payments under the terms of its agreement with us could have an adverse effect on us because we will remain primarily liable to our client. From time to time, market conditions have limited, and in some cases have prevented, reinsurers from obtaining the types and amounts of retrocession that they consider adequate for their business needs. Accordingly, we may not be able to obtain our desired amounts of retrocessional coverage or negotiate terms that we deem appropriate or acceptable or obtain retrocession from entities with satisfactory creditworthiness. Our failure to establish adequate retrocessional arrangements or the failure of our retrocessional arrangements to protect us from overly concentrated risk exposure could significantly and negatively affect our business, financial condition and results of operations.

We may not be successful in carrying out our investment and investment management strategy, and fair value of our investments will be subject to a loss in value.

We have formed an investment advisory firm subsidiary, Fundamental Global Advisors LLC (the “Advisor”) which uses an affiliated investment advisor registered with the SEC, to carry out our investment advisory services. We also intend to form a joint venture with Fundamental Global Investors, LLC to sponsor investment advisors that we anticipate will manage private funds ranging the full spectrum of alternative equities, fixed income, private equity and real estate. In exchange for seeding the new funds, we expect to receive a special interest in each new fund (or its general partner). Since we plan to conduct our investment activities through private funds, our contributions made to those funds may be subject to lock-up agreements and our ability to access this capital may be limited for a defined period, which may increase a risk of loss of all or a significant portion of value. Our investments may also become concentrated. A significant decline in the major values of these investments may produce a large decrease in our consolidated shareholders’ equity and can have a material adverse effect on our consolidated book value per share and earnings.

As discussed above under Item 1. “Business,” in connection with the Asset Sale, the Advisor and FedNat have entered into an investment advisory agreement in which the Advisor has agreed to provide investment advisory services to FedNat, including identifying, analyzing and recommending potential investments, advising as to existing investments and investment optimization, recommending investment dispositions, and providing advice regarding macro-economic conditions. Any fees received for such services may not be commensurate with the services provided. We also may not be able to enter into such advisory management agreements with other entities on favorable terms, or at all. Any of these events could have a material adverse effect on our business.

As part of our business going forward, we also plan to purchase controlling interests in income producing real estate assets, and will seek to benefit from underlying rental income on long-term leases with high quality tenants as well as the capital appreciation from the underlying real estate assets. Investments in real estate assets are subject to varying degrees of risk. For example, an investment in real estate cannot generally be quickly converted to cash, limiting our ability to promptly vary our portfolio in response to changing economic, financial and investment conditions. Investments in real estate assets are also subject to adverse changes in general economic conditions which may reduce the demand for rental space. Moreover, we may not be able to acquire quality, income producing real estate assets or attract high-quality tenants on favorable terms, if at all. We also expect to compete with numerous other persons or entities seeking to buy real estate assets, including real estate investment trusts or other real estate operating companies with greater experience and financial strength. Any of these factors could impact our real estate investment strategy and have a material adverse impact on our business.

We will be subject to the risk of possibly becoming an investment company under the Investment Company Act.

We will be subject to the risk of inadvertently becoming an investment company, which would require us to register under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Registered investment companies are subject to extensive, restrictive and potentially adverse regulations relating to, among other things, operating methods, management, capital structure, dividends and transactions with affiliates. Registered investment companies are not permitted to operate their business in the manner in which we currently operate and plan to operate our business in the future.

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We plan to monitor the value of our investments and structure our operations and transactions to qualify for exemptions under the Investment Company Act. Accordingly, we may structure transactions in a less advantageous manner than if we did not have Investment Company Act concerns, or we may avoid otherwise economically desirable transactions due to those concerns. In addition, adverse developments with respect to our ownership of our operating subsidiaries, including significant appreciation or depreciation in the market value of certain of our publicly traded holdings, could result in our inadvertently becoming an investment company. If it were established that we were an investment company, there would be a risk, among other material adverse consequences, that we could become subject to monetary penalties or injunctive relief, or both, in an action brought by the SEC, that we would be unable to enforce contracts with third parties or that third parties could seek to obtain rescission of transactions with us undertaken during the period it was established that we were an unregistered investment company.

Our results of operations will fluctuate from period to period and may not be indicative of our long-term prospects.

We anticipate that the performance of our reinsurance operations and our future investment and real estate portfolios will fluctuate from period to period. In addition, because we plan to underwrite products and make investments to achieve favorable return on equity over the long-term, our short-term results of operations may not be indicative of our long-term prospects. Our results of operations may also be adversely impacted by general economic conditions and the conditions and outlook of the reinsurance markets and capital markets.

We may be unable to attract and retain key personnel and management, which could adversely impact our ability to successfully implement and execute our business and growth strategy.

The successful implementation of our business and growth strategy depends in large part upon the ability and experience of members of our management and other personnel. We experienced a number of personnel changes in connection with the closing of our Asset Sale, including the resignations of Douglas N. Raucy, who served as our President and Chief Executive Officer, and Dean E. Stroud, who served as our Vice President and Chief Underwriting Officer. We currently do not have a Chief Executive Officer, which may be looked upon unfavorably by our investors and could have an adverse impact on our business.

We currently have two employees, John S. Hill, who serves as our Executive Vice President and Chief Financial Officer, and Brian D. Bottjer, who serves as our Senior Vice President and Controller. Our performance will be dependent on our ability to identify, hire, train, motivate and retain qualified management and personnel with experience in the reinsurance industry, investment advisory services, and in real estate investments. We may not be able to attract and retain such personnel on acceptable terms, or at all. If we lose the service of qualified management or other personnel or are unable to attract and retain the necessary members of management or personnel, we may not be able to successfully execute on our business strategy, which could have an adverse effect on our business.

Our information technology systems may fail or suffer a loss of security which may have a material adverse effect on our business.

Our business is highly dependent upon the successful and uninterrupted functioning of our computer and data processing systems. Our operations are dependent upon our ability to process our business timely and efficiently and protect our information systems from physical loss or unauthorized access. In the event that our systems cannot be accessed due to a natural catastrophe, terrorist attack or power outage, or systems and telecommunications failures or outages, external attacks such as computer viruses, malware or cyber-attacks, or other disruptions occur, our ability to perform business operations on a timely basis could be significantly impaired and may cause our systems to be inaccessible for an extended period of time. A sustained business interruption or system failure could adversely impact our ability to perform necessary business operations in a timely manner, hurt our relationships with our business partners and customers and have a material adverse effect on our financial condition and results of operations.

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Our operations also depend on the reliable and secure processing, storage and transmission of confidential and other information in our computer systems and networks. From time to time, we may experience threats to our data and systems, including malware and computer virus attacks, unauthorized access, systems failures and disruptions. Computer viruses, hackers, phishing attacks, social engineering schemes, ransomware, employee misconduct and other external hazards could expose our data systems to security breaches, cyber-attacks or other disruptions. In addition, we routinely transmit and receive personal, confidential and proprietary information by electronic means. Our systems and networks may be subject to breaches or interference. Any such event may result in operational disruptions as well as unauthorized access to or the disclosure or loss of our proprietary information or our customers' information or theft of funds and other monetary loss, which in turn may result in legal claims, regulatory scrutiny and liability, damage to our reputation, the incurrence of costs to eliminate or mitigate further exposure, the loss of customers or affiliated advisers or other damage to our business.

If we fail to establish and maintain an effective system of integrated internal controls, we may not be able to report our financial results accurately, which could have a material adverse effect on our business, financial condition and results of operations.

Ensuring that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that will need to be evaluated frequently. Section 404 of the Sarbanes-Oxley Act requires public companies to conduct an annual review and evaluation of their internal controls and attestations of the effectiveness of internal controls by independent auditors. We currently qualify as a smaller reporting company under the regulations of the Securities and Exchange Commission (the "SEC"). Under new rules recently adopted by the SEC, as a smaller reporting company we are exempt from the requirement to include the auditor's report of the effectiveness of internal control over financial reporting until such time as we no longer qualify as a smaller reporting company based on our public float and report more than \$100 million in annual revenues in a fiscal year. Regardless of our qualification status, we have implemented substantial control systems and procedures in order to satisfy the reporting requirements under the Exchange Act and applicable requirements of Nasdaq, among other items. Maintaining these internal controls is costly and may divert management's attention.

Our evaluation of our internal controls over financial reporting may identify material weaknesses that may cause us to be unable to report our financial information on a timely basis and thereby subject us to adverse regulatory consequences, including sanctions by the SEC, or violations of Nasdaq's listing rules. There also could be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements also could suffer if we or our independent registered public accounting firm were to report a material weakness in our internal controls over financial reporting. This may have a material adverse effect on our business, financial condition and results of operations and could also lead to a decline in the price of our common stock.

While we currently qualify as a smaller reporting company under SEC regulations, we cannot be certain if we take advantage of the reduced disclosure requirements applicable to these companies that we will not make our common stock less attractive to investors. Once we lose smaller reporting company status, the costs and demands placed upon our management are expected to increase.

The SEC's rules permit smaller reporting companies like us to take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not smaller reporting companies. As long as we qualify as a smaller reporting company, based on our public float, and report less than \$100 million in annual revenues in a fiscal year we are permitted, and we intend to, omit the auditor's attestation on internal control over financial reporting that would otherwise be required by the Sarbanes-Oxley Act.

We lost our status as an emerging growth company as of December 31, 2019. While we expect to remain a smaller reporting company and non-accelerated filer, we now face increased disclosure requirements as a non-emerging growth company, such as stockholder advisory votes on executive compensation ("say-on-pay"). Until such time that we lose smaller reporting company status, it is unclear if investors will find our common stock less attractive because we may rely on certain disclosure 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 and could cause our stock price to decline. As a result of the loss of our emerging growth company status, we expect the costs and demands placed upon our management to increase, as we now have to comply with additional disclosure and accounting requirements. In addition, even if we remain a smaller reporting company, if our public float exceeds \$75 million and we report \$100 million or more in annual revenues in a fiscal year, we will become subject to the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring an independent registered public accounting firm to provide an attestation report on the effectiveness of our internal control over financial reporting, making the public reporting process more costly.

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We have directors who also serve as directors and/or executive officers for other public companies or for our controlling stockholders or their affiliates, which may lead to conflicting interests.

We have directors who serve as executive officers and/or directors of FGI and its affiliates, which together, as of December 31, 2019, beneficially owned approximately 45% of our outstanding shares of common stock. In addition, FGI and its affiliates beneficially own 4.9% of our outstanding shares of 8.00% cumulative Preferred Stock, Series A. In addition, one of our directors serves as an executive officer and director of Atlas Financial Holdings, Inc. (Nasdaq: AFH) (“Atlas”), a specialty commercial automobile insurance company. Another of our directors also currently serves as director of Limbach Holdings, Inc. (Nasdaq: LMB) (“Limbach”), an affiliate of KFSI (which, together with its affiliates, holds a warrant exercisable for common shares representing 20% of our outstanding shares of common stock).

Our executive officers and members of our Company’s Board of Directors have fiduciary duties to our stockholders; likewise, persons who serve in similar capacities at Atlas, Limbach and FGI have fiduciary duties to those companies’ investors. We may find, though, the potential for a conflict of interest if our Company and one or more of these other companies pursue acquisitions, investments and other business opportunities that may be suitable for each of us. Our directors who find themselves in these multiple roles may, as a result, have conflicts of interest or the appearance of conflicts of interest with respect to matters involving or affecting more than one of the companies to which they owe fiduciary duties. Furthermore, our directors who find themselves in these multiple roles own stock options, shares of common stock and other securities in some of these entities. These ownership interests could create, or appear to create, potential conflicts of interest when the applicable individuals are faced with decisions that could have different implications for our Company and these other entities. From time to time, we may enter into transactions with or participate jointly in investments with Atlas, Limbach or FGI or its affiliates. We may create new situations in the future in which our directors serve as directors or executive officers in future investment holdings of such entities.

We have a limited operating history as a publicly-traded company. Our inexperience as a public company and the requirements of being a public company may strain our resources, divert management’s attention, affect our ability to attract and retain qualified board members and have a material adverse effect on us and our stockholders.

We have a limited operating history as a publicly-traded company. As a publicly-traded company, we are required to develop and implement substantial control systems, policies and procedures in order to satisfy our periodic SEC reporting and Nasdaq obligations. Management’s past experience may not be sufficient to successfully develop and implement these systems, policies and procedures and to operate our company. Failure to do so could jeopardize our status as a public company, and the loss of such status may have a material adverse effect on us and our stockholders.

In addition, as a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Act, and Nasdaq rules, including those promulgated in response to the Sarbanes-Oxley Act. The requirements of these rules and regulations increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources. The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls for financial reporting. To maintain and improve the effectiveness of our disclosure controls and procedures, we need to continually commit significant resources, maintain staff and provide additional management oversight. In addition, implementing our new business strategy and sustaining our growth will require us to commit additional management, operational and financial resources to identify new professionals to join our organization and to maintain appropriate operational and financial systems to adequately support expansion. These activities may divert management’s attention from other business concerns, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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As a public company, we incur significant annual expenses related to these steps associated with, among other things, director fees, reporting requirements, transfer agent fees, accounting, legal and administrative personnel, auditing and legal fees and similar expenses. We also incur higher costs for director and officer liability insurance. Any of these factors make it more difficult for us to attract and retain qualified members of our Board of Directors. Finally, we expect to incur additional costs once we lose smaller reporting company status or are required to provide an auditor attestation report on the effectiveness of our internal control over financial reporting.

Holders of our outstanding shares of 8.00% Cumulative Preferred Stock, Series A, have dividend, liquidation and other rights that are senior to the rights of the holders of our common shares.

As of March 27, 2020, we have issued and outstanding 700,000 shares of preferred stock designated as 8.00% Cumulative Preferred Stock, Series A, par value \$25.00 per share (the "Series A Preferred Stock"). The aggregate liquidation preference with respect to the outstanding shares of Series A Preferred Stock is approximately \$17.5 million, and annual dividends on the outstanding shares of Series A Preferred Stock are \$1.4 million. Holders of our Series A Preferred Stock are entitled to receive, when, as and if declared by the Board of Directors of the Company or a duly authorized committee thereof, out of lawfully available funds for the payment of dividends, cumulative cash dividends from and including the original issue date at the rate of 8.00% of the \$25.00 per share liquidation preference per annum (equivalent to \$2.00 per annum per share). Upon our voluntary or involuntary liquidation, dissolution or winding up, before any payment is made to holders of our common shares, holders of these preferred shares are entitled to receive a liquidation preference of \$25.00 per share plus an amount equal to any accumulated and unpaid dividends to, but not including, the date of payment. This would reduce the remaining amount of our assets, if any, available to distribute to holders of our common shares.

Our Board of Directors has the authority to designate and issue additional preferred shares with liquidation, dividend and other rights that are senior to those of our common shares similar to the rights of the holders of our Series A Preferred Stock. Because our decision to issue additional securities will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of any future offerings. Thus, our stockholders bear the risk of our future securities issuances reducing the market price of our common shares and diluting their interests.

The shares of FedNat common stock we have received as part of the consideration for the Asset Sale are subject to certain limitations and restrictions.

The shares of FedNat common stock we have received in the Asset Sale were issued pursuant to the terms of a Standstill Agreement entered into between the Company and FedNat upon the closing of the Asset Sale. The Standstill Agreement imposes certain limitations and restrictions with respect to our ownership of FedNat common stock, including, among other things, requiring us to vote all of the voting securities of FedNat we own in accordance with the recommendation of FedNat's board of directors and prohibiting us from publicly advising or influencing any person with respect to the voting of any shares of FedNat common stock and taking any action to nominate any person for election to FedNat's board of directors. Our status as a minority stockholder of FedNat as well as the limitations and restrictions expected to be set forth in the Standstill Agreement may limit our ability to exert significant influence on FedNat's management and operations and matters requiring approval of FedNat's stockholders. FedNat's management and holders of a larger percentage of FedNat's common stock may also take or encourage actions that decrease the value of our shares of FedNat common stock or are not in our best interests as a minority stockholder.

We may fail to satisfy the continued listing standards of Nasdaq and may have to delist our common shares.

Even though we currently satisfy the continued listing standards for Nasdaq and expect to continue to do so, we can provide no assurance that we will continue to satisfy the continued listing standards in the future. In the event that we are unable to satisfy the continued listing standards of Nasdaq, our common shares may be delisted from that market. Any delisting of our common shares from Nasdaq could:

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- adversely affect our ability to attract new investors;
- decrease the liquidity of our outstanding common shares;
- reduce our flexibility to raise additional capital;
- reduce the price at which our common shares trade; and
- increase the transaction costs inherent in trading such common shares with overall negative effects for our stockholders.

In addition, delisting of our common shares could deter broker-dealers from making a market in or otherwise seeking or generating interest in our common shares, and might deter certain institutions and persons from investing in our securities at all. For these reasons and others, delisting could adversely affect the price of our common shares and our business, financial condition and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our executive offices are located at 970 Lake Carillon Drive, Suite 314, St. Petersburg, FL 33716. Our lease term expires in May 2020. The Company is assessing its need for future office space following the sale of the Maison Business. Total minimum rent over the six-month term is expected to be \$14,000.

In the opinion of the Company's management, our executive offices are suitable for our current business and are adequately maintained.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are involved in legal proceedings and litigation arising in the ordinary course of business. Currently, it is not possible to predict legal outcomes and their impact on the future development of claims. Any such development will be affected by future court decisions and interpretations. Because of these uncertainties, additional liabilities may arise for amounts in excess of the Company's current reserves.

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

Market for Registrant's Common Stock

Our common stock is traded on the Nasdaq Global Market tier of the Nasdaq Stock Market, LLC under the symbol "PIH." Our Series A Preferred Stock is also traded on the Nasdaq Global Market tier of the Nasdaq Stock Market under the symbol "PIHPP."

Number of Common Stockholders

As of December 31, 2019, we had 6,065,948 common shares outstanding, which were held by 15 stockholders of record including Cede & Co., which holds shares on behalf of the beneficial owners of the Company's common stock. Because brokers and other institutions hold many of our shares on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

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Dividends

We have never declared or paid any cash dividends on our common stock and do not anticipate paying any cash dividends on our common stock in the foreseeable future. It is the present policy of our Board of Directors to retain earnings, if any, for use in developing and expanding our business. In the future, our payment of dividends on our common stock will also depend on the amount of funds available, our financial condition, capital requirements and such other factors as our Board of Directors may consider.

Holders of our Series A Preferred Stock are entitled to receive cash dividends at a rate of 8.00% per annum of the \$25.00 per share liquidation preference (equivalent to \$2.00 per annum per share), accruing from February 28, 2018. Dividends are payable to holders of our Series A Preferred Stock quarterly on or about the 15th day of March, June, September and December of each year, commencing on June 15, 2018. The record dates for dividend payment are March 1, June 1, September 1 and December 1 of each year, whether or not a business day, immediately preceding the applicable dividend payment date. The first dividend record date was June 1, 2018. Dividends on the Series A Preferred Stock accumulate whether or not the Company has earnings, whether or not there are funds legally available for the payment of those dividends and whether or not those dividends are declared by the Board of Directors. We intend to declare regular quarterly dividends on the shares of Series A Preferred Stock. As of December 31, 2019, we had approximately \$28.5 million available for the payment of future dividends, if declared by the Board of Directors. The declaration, payment and amount of future dividends will be subject to the discretion of our Board of Directors. Our Board of Directors expects to take into account a variety of factors when determining whether to declare any future dividends on the Series A Preferred Stock, including (i) our financial condition, liquidity, results of operations, retained earnings, and capital requirements, (ii) general business conditions, (iii) legal, tax and regulatory limitations, including those placed on our subsidiary companies, and (iv) any other factors that our Board of Directors deems relevant. Accordingly, there can be no assurance that we will declare dividends on our preferred shares in the future.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

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

You should read the following discussion in conjunction with our consolidated financial statements and related notes and information included elsewhere in this annual report on Form 10-K. You should review the "Risk Factors" section of this annual report for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. Some of the information contained in this discussion and analysis and set forth elsewhere in this annual report on Form 10-K includes forward-looking statements that involve risks and uncertainties.

Unless context denotes otherwise, the terms "Company," "we," "us," and "our," refer to 1347 Property Insurance Holdings, Inc., and its subsidiaries.

Overview

We are a holding company which previously specialized in providing personal property insurance in coastal markets including those in Louisiana, Texas and Florida. We were incorporated on October 2, 2012 in the State of Delaware under the name Maison Insurance Holdings, Inc., and changed our legal name to 1347 Property Insurance Holdings, Inc. on November 19, 2013. On March 31, 2014, we completed an initial public offering of our common stock. Prior to the offering, we were a wholly owned subsidiary of Kingsway America Inc., which, in turn, is a wholly owned subsidiary of Kingsway Financial Services Inc., or KFSI, a publicly owned Delaware holding company. As of December 31, 2019, KFSI and its affiliates held warrants that, if exercised, would cause KFSI and its affiliates to hold an approximate 20% ownership interest in our common stock. In addition, as of December 31, 2019, Fundamental Global Investors, LLC and its affiliates, or FGI, beneficially owned approximately 45% of our outstanding shares of common stock. D. Kyle Cerminara, Chairman of our Board of Directors, serves as Chief Executive Officer, Co-Founder and Partner of FGI, and Lewis M. Johnson, Co-Chairman of our Board of Directors, serves as President, Co-Founder and Partner of FGI.

Sale of Maison Business to FedNat Holding Company

On December 2, 2019, we completed the sale of all of the issued and outstanding equity of three of the Company's wholly-owned subsidiaries, Maison Insurance Company ("Maison"), Maison Managers Inc. ("MMI") and ClaimCor, LLC ("ClaimCor" and, together with Maison and MMI, the "Maison Business"), to FedNat Holding Company, a Florida corporation ("FedNat"), pursuant to the terms and conditions of the Equity Purchase Agreement, dated as of February 25, 2019 (the "Purchase Agreement"), by and among the Company and each of Maison, MMI and ClaimCor, on the one hand, and FedNat, on the other hand (the "Asset Sale").

As consideration for the Asset Sale, FedNat paid the Company \$51.0 million, consisting of \$25.5 million in cash and \$25.5 million in FedNat's common stock, or 1,773,102 shares of common stock. The stock consideration was determined by dividing \$25.5 million by the weighted average closing price per share of FedNat's common stock on the Nasdaq Stock Market during the 20-trading day period immediately preceding December 2, 2019. In addition, upon the closing of the Asset Sale, \$18.0 million of outstanding surplus note obligations payable by Maison to the Company, plus all accrued but unpaid interest, was repaid to the Company.

Going forward, the Company intends to operate as a diversified holding company of reinsurance and investment management businesses. Subject to the approval of the Company's stockholders at the Company's 2020 Annual Meeting, the Company intends to change its name to "Fundamental Global Financial Corporation" to align with its future business plans. Fundamental Global Financial Corporation ("FGFC") plans to carry out its business through three primary avenues, insurance, asset management, and real estate. The Company also intends to change the ticker symbols for its common stock and 8.00% cumulative preferred stock, Series A, and has reserved with Nasdaq the ticker symbols "FGI" and "FGIPP," respectively.

For more information on the Purchase Agreement, Asset Sale, and the Company's future plans, see "Item 1. Business."

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Coronavirus Impact

We continue to monitor the recent outbreak of the novel coronavirus (COVID-19) on our operations. Due to the recent outbreak of the coronavirus reported in many countries worldwide, local and federal governments have issued travel advisories, canceled large scale public events and closed schools. In addition, companies have begun to cancel conferences and travel plans and require employees to work from home. Global financial markets have also experienced extreme volatility and disruptions to capital and credit markets.

Adverse events such as health-related concerns about working in our offices, the inability to travel and other matters affecting the general work environment could harm our business and our business strategy. While we do not anticipate any material impact to our business operations as a result of the coronavirus, in the event of a major disruption caused by the outbreak of pandemic diseases such as coronavirus, we may lose the services of our employees or experience system interruptions, which could lead to diminishment of our business operations. Any of the foregoing could harm our business and delay the implementation of our business strategy and we cannot anticipate all the ways in which the current global health crisis and financial market conditions could adversely impact our business.

Management is actively monitoring the global situation on its financial condition, liquidity, operations, industry and workforce. Given the daily evolution of the coronavirus and the global responses to curb its spread, the Company is not able to estimate the effects of the coronavirus on its results of operations, financial condition or liquidity for fiscal year 2020.

Critical Accounting Estimates and Assumptions

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates. Estimates and their underlying assumptions are reviewed on an ongoing basis. Changes in estimates are recorded in the accounting period in which they are determined. The critical accounting estimates and assumptions in the accompanying consolidated financial statements include the provision for loss and loss adjustment expense reserves (as well as the reinsurance recoverable on those reserves), the valuation of fixed income and equity securities, the valuation of net deferred income taxes, the valuation of various securities we have issued in conjunction with the termination of the management services agreement with 1347 Advisors, LLC, the valuation of deferred policy acquisition costs and stock-based compensation expense.

Discontinued Operations

On December 2, 2019, we sold all of the issued and outstanding equity of Maison, MMI and ClaimCor. As a result, these operations have been classified as discontinued operations in the Company's financial statements presented herein. Certain transactions between the Company and its subsidiaries, which have historically been eliminated upon consolidation, are shown on a gross basis in the accompanying financial statements as such transactions have occurred between discontinued operations and those operations which the Company intends to continue to utilize. These items include surplus notes in the amount of \$18,000 plus approximately \$728 in accrued interest, all of which was settled upon the closing of the Asset Sale. These notes, which had been issued by Maison to the Company, have been reflected as both an asset of continuing operations and liability of discontinued operations on the Company's consolidated balance sheet as of December 31, 2018. Interest associated with these surplus notes has been recorded as part of net investment income from continuing operations as well as interest expense as part of discontinued operations on the Company's consolidated statement of operations for the years ended December 31, 2019 and 2018. Similarly, amounts due from the Company to Maison upon the assignment of certain of Maison's investments to the Company have been reflected as an asset of continuing operations under the heading "Limited liability investments", as well as a corresponding liability under the heading "Due to affiliates" on the Company's consolidated balance sheet as of December 31, 2018. Pursuant to the terms of the Purchase Agreement, this assignment of investments was settled, in cash, prior to closing of the transaction. All other significant intercompany balances and transactions have been eliminated upon consolidation.

Valuation of Fixed Income and Equity Securities

The Company's fixed income and equity securities are recorded at fair value using observable inputs such as quoted prices in inactive markets, quoted prices in active markets for similar instruments, benchmark interest rates, broker quotes and other relevant inputs. Any change in the estimated fair value of its investments could impact the amount of unrealized gain or loss the Company has recorded, which could change the amount the Company has recorded for its investments and on its consolidated balance sheets and statements of income.

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Gains and losses realized on the disposition of investments are determined on the first-in first-out basis and credited or charged to the consolidated statements of income and comprehensive income. Premium and discount on investments are amortized and accreted using the interest method and charged or credited to net investment income.

The Company performs a quarterly analysis of its investment portfolio to determine if declines in market value are other-than-temporary. Further information regarding its detailed analysis and factors considered in establishing an other-than-temporary impairment on an investment is discussed within Note 5 - Investments, to the consolidated financial statements.

Valuation of Net Deferred Income Taxes

The provision for income taxes is calculated based on the expected tax treatment of transactions recorded in the Company's consolidated financial statements. In determining its provision for income taxes, the Company interprets tax legislation in a variety of jurisdictions and makes assumptions about the expected timing of the reversal of deferred income tax assets and liabilities and the valuation of net deferred income taxes.

The ultimate realization of the deferred income tax asset balance is dependent upon the generation of future taxable income during the periods in which the Company's temporary differences reverse and become deductible. A valuation allowance is established when it is more likely than not that all or a portion of the deferred income tax asset balance will not be realized. In determining whether a valuation allowance is needed, management considers all available positive and negative evidence affecting specific deferred income tax asset balances, including the Company's past and anticipated future performance, the reversal of deferred income tax liabilities, and the availability of tax planning strategies. To the extent a valuation allowance is established in a period, an expense must be recorded within the income tax provision in the consolidated statements of income and comprehensive income.

Due to the sale of the Maison Business on December 2, 2019, the December 31, 2019 financial statements show a net deferred tax liability in the amount of \$106. Given the Company's deferred tax assets can be fully offset with deferred tax liabilities within the expiration window of the deferred tax assets, the Company has determined that it is more likely than not that its deferred tax assets will be utilized. As such, the Company has not set up a valuation allowance for its deferred tax assets as of December 31, 2019.

Securities issued to 1347 Advisors, LLC

Pursuant to the termination of the Management Services Agreement with 1347 Advisors, LLC ("Advisors," a wholly-owned subsidiary of KFSI), the Company issued Series B Preferred Shares, Warrants, and entered into a Performance Share Grant Agreement with Advisors on February 24, 2015. On January 2, 2018, the Company entered into a stock purchase agreement with Advisors and IWS Acquisition Corporation, also an affiliate of KFSI, pursuant to which the Company agreed to repurchase all 60,000 Series B Preferred Shares held by Advisors and all 60,000 Series B Preferred Shares held by IWS Acquisition Corporation. The Company completed the repurchase of the shares held by Advisors on January 2, 2018 and the repurchase of the shares held by IWS Acquisition Corporation on February 28, 2018. In connection with the stock purchase agreement, the Performance Share Grant Agreement, dated February 24, 2015, between the Company and Advisors was terminated. No common shares were issued to Advisors under the Performance Share Grant Agreement. Advisors has subsequently transferred the warrants to its affiliate, Kingsway America Inc.

Because the Series B Preferred Shares had a redemption provision requiring mandatory redemption on February 24, 2020, the Company was required to classify the shares as a liability on its balance sheet. The resulting liability was recorded at a discount to the \$4,200 ultimate redemption amount which included all dividends to be paid on the Series B Preferred Shares based upon an analysis of the timing and amounts of cash payments expected to occur under the terms of the shares discounted for the Company's estimated cost of equity (13.9%).

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The Company estimated the fair value of the Warrants on grant date based upon the Black-Scholes option pricing model while it utilized a Monte Carlo model to determine the fair value of the Performance Share Grant Agreement due to the fact that the underlying shares are only issuable based upon the achievement of certain market conditions.

Stock-Based Compensation Expense

The Company uses the fair-value method of accounting for stock-based compensation awards granted. The Company determines the fair value of the stock options on their grant date using the Black-Scholes option pricing model and determines the fair value of restricted stock units (“RSUs”) on their grant date using the fair value of the Company’s common stock on the date the RSUs were issued (for those RSU which vest solely based upon the passage of time), as well as using multiple Monte Carlo simulations for those RSUs with market-based vesting conditions. The fair value of these awards is recorded as compensation expense over the requisite service period, which is generally the expected period over which the awards will vest, with a corresponding increase to additional paid-in capital. When the stock options are exercised, or correspondingly, when the restricted stock units vest, the amount of proceeds together with the amount recorded in additional paid-in capital is recorded in shareholders’ equity.

Recent Accounting Pronouncements

See Item 8, Note 3 – Recently Issued Accounting Standards in the Notes to the Consolidated Financial Statements for a discussion of recent accounting pronouncements and their effect, if any, on the Company.

Analysis of Financial Condition

As of December 31, 2019 compared to December 31, 2018

Dollar amounts included in the “Analysis of Financial Condition” are presented in thousands, except as otherwise specified.

Discontinued Operations

As previously discussed, on December 2, 2019, we completed the sale of all of the issued and outstanding equity of our three former wholly-owned subsidiaries, Maison, MMI and ClaimCor. Accordingly, the Company has classified the Maison Business as discontinued operations for all periods presented in this report as set forth in ASC 205-20 – *Discontinued Operations*.

The following table presents a reconciliation of the carrying amounts of major classes of assets and liabilities included in discontinued operations which are presented separately in the Company’s consolidated balance sheet as of December 31, 2018. On December 2, 2019 the assets and liabilities previously included in discontinued operations had been disposed of in the Asset Sale transaction.

	December 31, 2018
Carrying amounts of assets included as part of discontinued operations	
Fixed income securities, at fair value (amortized cost of \$77,366)	\$ 76,310
Equity investments, at fair value (cost of \$3,130)	3,263
Other investments	774
Cash and cash equivalents	27,236
Deferred policy acquisition costs	9,111
Premiums receivable, net of allowance of \$50	7,720
Ceded unearned premiums	6,525
Reinsurance recoverable on paid losses	530
Reinsurance recoverable on loss reserves	5,661
Current income taxes recoverable	2,051
Deferred tax asset, net	1,014
Due from affiliate	2,698
Other assets	1,676
Total assets of discontinued operations included in the Company’s consolidated balance sheet	\$ 144,569
Carrying amounts of liabilities included as part of discontinued operations	
Loss and loss adjustment expense reserves	\$ 15,151
Unearned premium reserves	51,907
Ceded reinsurance premiums payable	9,495
Agency commissions payable	802
Premiums collected in advance	1,840
Surplus notes plus interest due to affiliate	18,244
Accrued premium taxes and assessments	3,059
Other liabilities	2,821
Total liabilities of discontinued operations included in the Company’s consolidated balance sheet	\$ 103,319

1347 PROPERTY INSURANCE HOLDINGS, INC.

Investments

On December 2, 2019, the Company received 1,773,102 shares of FedNat Holding Company common stock (Nasdaq: FNHC), along with \$25,500 cash as consideration for the Asset Sale. The stock consideration was determined by dividing \$25,500 by the weighted average closing price per share of FedNat's common stock on the Nasdaq Stock Market during the 20-trading day period immediately preceding December 2, 2019.

The table below summarizes, by type, the Company's investments as of December 31, 2019 and 2018.

Type of Investment	December 31, 2019		December 31, 2018	
	Carrying Amount	Percent of Total	Carrying Amount	Percent of Total
Equity securities:				
FNHC common stock	\$ 29,487	88.0%	\$ –	–%
Limited liability investments	4,005	12.0%	2,987	3.6%
Equity securities included in discontinued operations	–	–%	3,263	4.0%
Total equity securities	33,492	100.0%		7.6%
Fixed income securities included in discontinued operations	–	–%	76,310	92.4%
Total investments	\$ 33,492	100.0%	\$ 82,560	100.0%

As of March 26, 2020, the estimated fair value of the Company's 1,773,102 shares of FedNat common stock was \$20,320.

The Company's limited liability investments are comprised of investments in a limited partnership and a limited liability company which seek to provide equity and asset-backed debt investment in a variety of privately-owned companies. The Company had a total potential commitment of \$935 related to these investments, of which the two entities have drawn down approximately \$776 through December 31, 2019. The limited liability company is managed by Argo Management Group, LLC, an entity which is wholly owned by KFSI. The Company has accounted for these two investments at cost, as the investments do not have readily determinable fair values and the Company does not exercise significant influence over the operations of the investments or the underlying privately-owned companies. For the year ended December 31, 2019, the Company received profit distributions of \$91 on these investments.

Additionally, on June 18, 2018, Maison invested \$2,219 in FGI Metrolina Property Income Fund, LP (the "Fund"), which invests in real estate through a real estate investment trust which is wholly owned by the Fund. The general partner of the Fund, FGI Metrolina GP, LLC, is managed, in part, by Messrs. Cerminara and Johnson, the Chairman and Co-Chairman of the Board of Directors of the Company, respectively. The Company, a limited partner of the Fund, does not have a controlling financial interest in the Fund, but exerts significant influence over the entity's operating and financial policies as it owns an economic interest of approximately 49%. Accordingly, the Company has accounted for this investment under the equity method of accounting, with any unrealized gains or losses on the investment recorded in income. The Company has committed to a total potential investment of up to \$4,000 in the Fund. As of December 31, 2019, the total amount invested in the Fund was \$2,719, while the carrying amount on the Company's balance sheet was \$3,229.

Pursuant to the terms of the Purchase Agreement, Maison assigned all of its right, title and interest in each of the limited liability investments to the Company in exchange for the statutory carrying value of each investment (approximately \$4,200). Accordingly, these investments have been included on the Company's consolidated balance sheet as of December 31, 2019 and 2018 as part of continuing operations. Investment income resulting from the Company's limited liability investments has also been included in net investment income as part of continuing operations, on the Company's consolidated statement of operations for the years ended December 31, 2019 and 2018.

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Other-Than-Temporary Impairment

The Company performs a quarterly analysis of its investments to determine if declines in market value are other-than-temporary. Further information regarding the Company's detailed analysis and factors considered in establishing an other-than-temporary impairment on an investment is discussed within Note 4 - "Investments," to the consolidated financial statements in Item 8 of this report.

As a result of the analysis performed by the Company, we recorded a write-down for an other-than-temporary impairment on a single equity investment resulting in a charge of \$215 against net investment income for the year ended December 31, 2018. As this investment was held by our prior insurance subsidiary, Maison, this charge has been included as part of income from discontinued operations for the year ended December 31, 2018. We recorded this write-down as a result of our analysis of the investment's operating losses for 2018, which showed a considerable decline when compared to its results for 2017. There were no write-downs for other-than-temporary impairment on our investments for the year ended December 31, 2019.

As of December 31, 2019, the Company did not hold any investments with estimated fair values less than their carrying amounts.

Current Income Taxes Recoverable/Payable

Current income taxes recoverable were \$1,265 as of December 31, 2019, compared to a payable of \$932 as of December 31, 2018, representing the estimate of both the Company's state and federal income taxes due as of each date, less estimated payments made.

Net Deferred Taxes

The Company's net deferred tax asset decreased from \$265 as of December 31, 2018 to a net deferred liability of \$106 as of December 31, 2019, due, in large, to the sale of the Maison Business on December 2, 2019. Net deferred income taxes are comprised of approximately \$684 of deferred tax assets, net of approximately \$790 of deferred tax liabilities as of December 31, 2019, compared to \$3,228 of deferred tax assets, net of \$1,949 of deferred tax liabilities as of December 31, 2018. The balance of our deferred tax liabilities as of December 31, 2019 primarily related to the unrealized holding gains on the common shares of FedNat, which we received at the closing of the Asset Sale.

Other Assets

Other assets increased \$121, to \$188 as of December 31, 2019 from \$67 as of December 31, 2018. The major components of other assets, and the change therein, are shown below.

	December 31,		Change
	2019	2018	
Amount due under Investment Advisory Agreement with FedNat	\$ 35	\$ –	\$ 35
Amount due under Transition Services Agreement with FedNat	8	–	8
Prepaid expenses	142	65	77
Other receivables	3	2	1
Total	\$ 188	\$ 67	\$ 121

Accounts Payable

Accounts payable increased \$334, to \$400 as of December 31, 2019, compared to \$66 as of December 31, 2018 largely as a result of unpaid professional fees associated with the closing of Asset Sale.

Related Party Transactions

Termination of Performance Share Grant Agreement

On July 24, 2018, the Company entered into a Termination Agreement with Kingsway America, Inc. ("KAI", a wholly owned subsidiary of KFSI), pursuant to which KAI agreed to terminate the Performance Share Grant Agreement ("PSGA") dated March 26, 2014, between the Company and KAI in exchange for a payment of \$1,000 from the Company, which has been recorded as a charge under the heading "Loss on repurchase of Series B Preferred Shares and Performance Shares" on the Company's statement of income for the year ended December 31, 2018. As a result of the Termination Agreement, KAI has no further rights to any of the performance share grants contemplated by the PSGA. Under the PSGA, KAI was entitled to receive up to an aggregate of 375,000 shares of our common stock upon achievement of certain milestones regarding our stock price. Mr. Larry G. Swets, Jr., who is a director of the Company, also served as Chief Executive Officer and Director of KFSI on the date the Company entered into the Termination Agreement. The Company did not issue any shares under the PSGA while the PSGA was outstanding. The Termination Agreement was approved by a special committee of the Board of Directors of the Company consisting solely of independent directors.

1347 PROPERTY INSURANCE HOLDINGS, INC.

Termination of Management Services Agreement and Repurchase of Series B Preferred Shares

On February 24, 2015, we terminated our Management Services Agreement with 1347 Advisors, LLC (“1347 Advisors”), a wholly owned subsidiary of KFSI. In connection with the termination, we entered into a Performance Shares Grant Agreement, dated February 24, 2014, with 1347 Advisors pursuant to which we agreed to issue 100,000 shares of our common stock to 1347 Advisors subject to the achievement of certain events specified in the agreement. We also issued to 1347 Advisors 120,000 shares of our Series B preferred stock having a liquidation amount per share equal to \$25.00 (the “Series B Preferred Shares”). 1347 Advisors subsequently transferred 60,000 of the Series B Preferred Shares to IWS Acquisition Corporation, an affiliate of KFSI.

On January 2, 2018, the Company entered into a Stock Purchase Agreement with 1347 Advisors and IWS Acquisition Corporation, pursuant to which the Company repurchased 60,000 Series B Preferred Shares from 1347 Advisors for an aggregate purchase price of \$1,740, representing (i) the par value of the Series B Preferred Shares, or \$1,500; and (ii) declared and unpaid dividends with respect to the dividend payment due on February 23, 2018, or \$240. Also, in connection with the Stock Purchase Agreement, the Performance Shares Grant Agreement, dated February 24, 2015, between the Company and 1347 Advisors was terminated. No shares of common stock were issued to 1347 Advisors under the Performance Shares Grant Agreement. In connection with the termination of the Performance Shares Grant Agreement, the Company made a cash payment of \$300 to 1347 Advisors. Upon termination of the MSA Agreement, the Company recorded an increase of approximately \$54 to additional paid in capital, representing the estimated fair value of the Performance Shares Grant Agreement on the grant date. Upon the termination of the Performance Shares Grant Agreement, we compared the amount previously recorded in additional paid in capital to the amount paid to terminate the agreement, resulting in a reversal of the \$54 originally recorded to additional paid in capital as well as a charge of \$246 recorded to “Loss on repurchase of Series B Preferred Shares and Performance Shares” on the Company’s statement of income for the year ended December 31, 2018.

Pursuant to the Stock Purchase Agreement, the Company also agreed to repurchase the remaining 60,000 Series B Preferred Shares from IWS Acquisition Corporation for an aggregate purchase price of \$1,500, upon the completion of a capital raise resulting in the Company receiving net proceeds in excess of \$5,000. On February 28, 2018, the Company purchased the remaining 60,000 Series B Preferred Shares from IWS Acquisition Corporation for \$1,500 with the proceeds from the Company’s 8.00% Cumulative Preferred Stock, Series A (the “Series A Preferred Stock”) offering (discussed under the heading “Shareholders’ Equity” below).

The Company applied the guidance outlined in ASC 480 – *Distinguishing Liabilities from Equity* in recording the issuance of the Series B Preferred Shares. Due to the fact that the shares had a mandatory redemption date of February 24, 2020, applicable guidance required that we classify the shares as a liability on our consolidated balance sheet, rather than recording the value of the shares in equity. The resulting liability was recorded at a discount to the \$4,200 redemption amount plus dividends expected to be paid on the shares while outstanding, discounted for the Company’s estimated cost of equity (13.9%). As a result, total amortization in the amount of \$33 has been charged to continuing operations for the year ended December 31, 2018. Upon our repurchase of the Series B Preferred Shares in both January and February 2018, we compared the amortized carrying amount of the liability to the amount paid to repurchase the shares, resulting in a charge of \$366 to “Loss on repurchase of Series B Preferred Shares and Performance Shares” on the Company’s statement of income for the year ended December 31, 2018.

Investment in Limited Partnership and Limited Liability Company

On April 21, 2016, KFSI completed the acquisition of Argo Management Group LLC (“Argo”). Argo’s primary business is to act as the Managing Member of Argo Holdings Fund I, LLC, an investment fund in which the Company has committed to invest \$500, of which the Company has invested \$341 as of December 31, 2019. The managing member of Argo, Mr. John T. Fitzgerald, was appointed as President and Chief Executive Officer of KFSI on September 5, 2018 and has served on its board of directors since April 21, 2016.

1347 PROPERTY INSURANCE HOLDINGS, INC.

As of December 31, 2019, the Company has invested \$2,719 as a limited partner in Metrolina Property Income Fund, LP (the “Fund”). The general partner of the Fund, FGI Metrolina GP, LLC, is managed, in part, by Messrs. Cerminara and Johnson, the Chairman and Co-Chairman of the Board of Directors of the Company, respectively. As of December 31, 2019, the Company’s investment represents a 49% ownership stake in the Fund.

Public Offering of Preferred Stock

A fund managed by Fundamental Global Investors, LLC, one of the Company’s significant stockholders, purchased an aggregate of 34,620 shares of the Series A Preferred Stock in the Company’s public offering of the shares, at the public offering price of \$25.00 per share, including 31,680 shares purchased for a total of approximately \$792 on February 28, 2018, the closing date of the offering, and 2,940 shares purchased for a total of approximately \$74 on March 26, 2018 in connection with the underwriters’ exercise of their over-allotment option. In addition, CWA Asset Management Group, LLC, of which 50% is owned by Fundamental Global Investors, LLC, holds 56,846 shares of the Series A Preferred Stock for customer accounts (including 44 shares of the Series A Preferred Stock held by Mr. Cerminara in a joint account with his spouse) purchased at the public offering price in connection with the underwriters’ exercise of their over-allotment option. No discounts or commissions were paid to the underwriters on the purchase of these shares.

Investment Advisory Agreement

Pursuant to the Investment Advisory Agreement entered into upon closing of the Asset Sale, Fundamental Global Advisors LLC, a wholly-owned subsidiary of the Company (“Advisor”), was formed to provide investment advisory services to FedNat, including identifying, analyzing and recommending potential investments, advising as to existing investments and investment optimization, recommending investment dispositions, and providing advice regarding macro-economic conditions. In exchange for providing the investment advisory services, FedNat has agreed to pay Advisor an annual fee of \$100. FGI Funds Management, LLC will serve as the manager to the Advisor. FGI Funds Management, LLC is an affiliate of Fundamental Global Investors, LLC, the Company’s largest stockholder. The term of the Investment Advisory Agreement is five years.

Off Balance Sheet Arrangements

None.

Shareholders’ Equity

Offering of 8.00% Cumulative Preferred Stock, Series A

On February 28, 2018, we completed the underwritten public offering of 640,000 preferred shares designated as 8.00% Cumulative Preferred Stock, Series A, par value \$25.00 per share (the “Series A Preferred Stock”). Also, on March 26, 2018, we issued an additional 60,000 shares of Series A Preferred Stock pursuant to the exercise of the underwriters’ over-allotment option. Dividends on the Series A Preferred Stock are cumulative from the date of original issue and will be payable quarterly on the 15th day of March, June, September and December of each year, commencing on June 15, 2018, when, as and if declared by our Board of Directors or a duly authorized committee thereof. The first dividend record date for the Series A Preferred Stock was on June 1, 2018. For the years ended December 31, 2019 and 2018, the Board of Directors declared dividends totaling \$1,400 and \$1,108, respectively, representing all quarterly amounts due for the Preferred Stock. Dividends are payable out of amounts legally available therefor at a rate equal to 8.00% per annum per \$25.00 of stated liquidation preference per share, or \$2.00 per share of Preferred Stock per year.

The Series A Preferred Stock is not redeemable prior to February 28, 2023. On and after that date, the stock will be redeemable at our option, for cash, in whole or in part, at a redemption price of \$25.00 per share, plus all accumulated and unpaid dividends to, but not including, the date of redemption. The Series A Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption. The stock will generally have no voting rights except as provided in the Certificate of Designations or as from time to time provided by law. The affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock and each other class or series of voting parity stock will be required at any time for us to authorize, create or issue any class or series of our capital stock ranking senior to the Series A Preferred Stock with respect to the payment of dividends or the distribution of assets on liquidation, dissolution or winding up, to amend any provision of our Certificate of Incorporation so as to materially and adversely affect any rights of the Series A Preferred Stock or to take certain other actions.

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The shares of Series A Preferred Stock are listed on the Nasdaq Stock Market under the symbol “PIHPP”, and trading of the shares commenced on March 22, 2018. Net proceeds received by Company were approximately \$16,500. The Company used \$1,500 of the net proceeds to repurchase 60,000 shares of its Series B Preferred Shares from IWS Acquisition Corporation, as previously discussed under the heading “Related Party Transactions”.

The table below presents the primary drivers behind the changes to total shareholders’ equity for the years ended December 31, 2019 and 2018.

	Preferred Shares Outstanding	Common Shares Outstanding	Treasury Shares	Total Shareholders’ Equity
Balance, January 1, 2018	120,000	5,984,766	151,359	\$ 46,802
Redemption of Series B Preferred Shares	(120,000)	–	–	–
Issuance of Series A Preferred Stock	700,000	–	–	16,493
Repurchase of Performance Shares	–	–	–	(54)
Dividends declared on Series A Preferred Stock	–	–	–	(1,108)
Stock compensation expense	–	27,998	–	337
Net income	–	–	–	804
Unrealized loss on investment portfolio (net of income taxes)	–	–	–	(527)
Balance, December 31, 2018	700,000	6,012,764	151,359	62,747
Adoption of new accounting standards	–	–	–	10
Dividends declared on Series A Preferred Stock (\$2.00 per share)	–	–	–	(1,400)
Stock compensation expense	–	53,184	–	414
Net income	–	–	–	311
Gains on investment portfolio (net of income taxes)	–	–	–	833
Balance, December 31, 2019	700,000	6,065,948	151,359	62,915

1347 PROPERTY INSURANCE HOLDINGS, INC.

Results of Operations

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Dollar amounts included in the “Results of Operations” are presented in thousands, except as otherwise specified. *Net Investment Income*

Net investment income increased from \$1,208 to \$5,587 for the years ended December 31, 2018 and 2019, respectively, primarily as a result of the unrealized holding gains on the 1,773,102 shares of FNHC common stock which the Company received upon the closing of the Asset Sale. Net investment income for the years ended December 31, 2019 and 2018 is as follows:

	Year Ended December 31,	
	2019	2018
Investment income:		
Unrealized holding gains on FNHC common stock	\$ 3,987	\$ –
Interest on surplus notes issued by Maison	1,708	1,142
Income from limited liability investments	101	–
Loss on assignment of limited liability investments	(239)	–
Other	55	82
Gross investment income	5,612	1,224
Investment expenses	(25)	(16)
Net investment income	\$ 5,587	\$ 1,208

As of March 26, 2020, the estimated fair value of the Company’s 1,773,102 shares of FNHC common stock was \$20,320, resulting in an unrealized, pre-tax holding loss of \$5,180 as of that date.

Other Income

Other income was \$10 compared to \$0 for the years ended December 31, 2019 and 2018, respectively and is comprised solely of fees earned under the Investment Advisory Agreement between our wholly-owned subsidiary, Fundamental Global Advisors, LLC and FedNat Holding Company.

General and Administrative Expenses

General and administrative expenses increased \$1,331 to \$2,476 for the year ended December 31, 2019, compared to \$1,145 for the year ended December 31, 2018. The increase was primarily due to professional fees associated with developing our new business plan following the closing of the Asset Sale along with the fees associated with forming our new investment advisory and reinsurance subsidiaries.

Series B Preferred Shares and Performance Shares

As previously discussed under the heading “Related Party Transactions,” we recorded amortization charges of \$33 as well as a charge of \$1,612 for the year ended December 31, 2018, which were related to our issuance and repurchase of our Series B Preferred Shares and our Performance Shares.

Income Tax Expense (Benefit)

Our actual effective tax rate varies from the statutory federal income tax rates as shown in the following table.

	Year Ended December 31,			
	2019		2018	
	Amount	%	Amount	%
Provision for taxes at U.S. statutory marginal income tax rate of 21%	\$ 121	21.0%	\$ 60	21.0%
Net operating loss carryback	(213)	(36.9)%	–	–%
State income tax (net of federal benefit)	265	45.9%	(632)	(221.0)%
Share-based compensation	77	13.3%	35	12.2%
Other	17	3.0%	19	6.7%
Income tax expense (benefit)	\$ 267	46.2%	\$ (518)	(181.1)%
Income tax expense (benefit) – from continuing operations	\$ 738		\$ (308)	
Income tax benefit – from discontinued operations	(471)		(210)	
Total income tax expense (benefit)	\$ 267	46.2%	\$ (518)	(181.1)%

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Discontinued Operations

As previously discussed, on December 2, 2019, we completed the sale of all of the issued and outstanding equity of our three former wholly-owned subsidiaries, Maison, MMI and ClaimCor. Accordingly, the Company has classified the Maison Business as discontinued operations for all periods presented in this report as set forth in ASC 205-20 – *Discontinued Operations*.

The following table presents a reconciliation of the major classes of line items constituting pretax profit (loss) of discontinued operations to the after-tax profit (loss) of discontinued operations that are presented in the Company's consolidated statement of operations for the years ended December 31, 2019 and 2018.

	Year ended December 31,	
	2019	2018
Gain from sale of the Maison Business		
Cash consideration received from sale	\$ 25,500	\$ –
Stock consideration received from sale	25,500	–
Total consideration received from sale	51,000	–
Less:		
Carrying value of the Maison Business on December 1, 2019	39,099	–
Transaction and other sale related costs	2,818	50
Total pre-tax reductions	41,917	50
Pre-tax gain (loss) on sale	9,083	(50)
Income tax expense	2,017	–
Net gain (loss) from sale of the Maison Business	\$ 7,066	\$ (50)
Net premiums earned	\$ 49,691	\$ 54,357
Net investment income	4,354	1,552
Other income	2,854	2,246
Net losses and loss adjustment expenses	(41,634)	(27,413)
Amortization of deferred policy acquisition costs	(15,983)	(15,313)
General and administrative expenses	(9,200)	(12,369)
Interest expense on surplus notes due to affiliate	(1,708)	(1,142)
Pretax profit (loss) from the Maison Business	(11,626)	1,918
Income tax benefit	(2,488)	(210)
Income (loss) from the Maison Business, net of taxes	\$ (9,138)	\$ 2,128
Net profit (loss) from discontinued operations, net of taxes	<u>\$ (2,072)</u>	<u>\$ 2,078</u>

Net Income

Net income for the years ended December 31, 2019 and 2018 is as shown in the following table.

	Year ended December 31,	
	2019	2018
Net income (loss) from continuing operations	\$ 2,383	\$ (1,274)
Income (loss) from discontinued operations, net of income taxes	(2,072)	2,078
Net income	\$ 311	\$ 804
Diluted earnings (loss) per common share		
Continuing operations	\$ 0.16	\$ (0.40)
Discontinued operations	(0.34)	0.35
Loss attributable to common shareholders	\$ (0.18)	\$ (0.05)

Liquidity and Capital Resources

Dollar amounts included in the “Liquidity and Capital Resources” are presented in thousands, except as otherwise specified.

The purpose of liquidity management is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. The liquidity requirements of the Company and its subsidiaries have been met primarily from the cash proceeds of the Asset Sale, by funds generated from operations, and from the proceeds from the sales of our common and preferred stock. Cash provided from these sources has historically been used for loss and loss adjustment expense payments as well as other operating expenses.

1347 PROPERTY INSURANCE HOLDINGS, INC.

On February 28, 2018, we completed the underwritten public offering of preferred shares designated as 8.00% Cumulative Preferred Stock, Series A, par value \$25.00 per share (the “Preferred Stock”), as previously discussed under the heading “Shareholders Equity”. In addition, on March 26, 2018, we issued an additional 60,000 shares of Preferred Stock in connection with the underwriters’ exercise of their over-allotment option. Net proceeds received by the Company were approximately \$16,400. The Company used \$1,500 of the net proceeds to repurchase 60,000 shares of its Series B Preferred Stock from IWS Acquisition Corporation, as previously discussed under the heading “Related Party Transactions.

On April 23, 2018, the Company and MMI executed a Commercial Business Loan Agreement and related Promissory Note with Hancock Bank, a trade name for Whitney Bank (n/k/a Hancock Whitney Bank) (the “Lender”). The agreements provided for a revolving line of credit of \$5,000. The line of credit expired pursuant to its terms on April 19, 2019. The Company and MMI did not draw down funds under the Loan Agreement during the period it was outstanding.

On August 20, 2019, the Company entered into a \$7,000 Loan Agreement and a related Commercial Note (collectively, the “Loan Agreement”) with the Lender. The Loan Agreement provided for a non-revolving line of credit of \$7,000.

On November 29, 2019, the Company entered into an Amended and Restated Loan Agreement and a related Amended and Restated Commercial Note (collectively, the “Amended and Restated Loan Agreement”) with Lender, which increased the existing non-revolving line of credit by an additional \$10,000 (the “Line of Credit Increase”), resulting in an amended and restated non-revolving line of credit loan in the aggregate principal amount of up to \$17,000. Immediately prior to the closing of the Asset Sale, the Company drew \$7,000 under the line of credit, which was repaid to the Lender as of the closing of the Asset Sale. Upon repayment, the line of credit was terminated. Borrowings under the Loan Agreement bore interest at a rate per annum equal to 5.25%.

Upon the closing of the Asset Sale, the Company received cash consideration from FedNat in the amount of \$25,500 as well as \$18,728 representing the repayment of surplus notes and accrued interest due from Maison to the Company. Pursuant to the terms of the Purchase Agreement, at the closing, the Maison Business was required to have a consolidated net GAAP book value of at least \$42,000 and was also required to settle any balances between the Company and the Maison Business. Additionally, prior to the closing of the Asset Sale, Maison was a limited partner in two limited partnerships and also had a limited interest in a limited liability company (collectively, the “Funds”). Pursuant to the terms of the Purchase Agreement, Maison assigned its interests in the Funds to the Company in exchange for the statutory carrying value of the Funds, paid in cash, at the closing of the Asset Sale. This resulted in net cash proceeds to the Company of \$24,778, as shown in the table below.

Cash consideration from FedNat	\$	25,500
Cash from FedNat to repay outstanding surplus note obligations		18,728
Capital contribution from the Company to the Maison Business to meet GAAP book value requirement		(9,057)
Transaction bonuses paid to current and former executive officers of the Company		(605)
Company acquisition of the Funds from Maison		(3,218)
Payment of intercompany federal tax obligations		(3,702)
Payment of transaction expenses directly associated with the Asset Sale		(2,868)
Net cash proceeds	\$	24,778

Cash Flows

The following table summarizes the Company’s consolidated cash flows for the years ended December 31, 2019 and 2018.

<u>Summary of Cash Flows</u>	<u>Year ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Cash and cash equivalents – beginning of period	\$ 30,902	\$ 23,575
Net cash provided (used) by operating activities	(20,638)	24,794
Net cash provided (used) by investing activities	19,684	(29,247)
Net cash provided (used) by financing activities	(1,439)	11,780
Net increase (decrease) in cash and cash equivalents	(2,393)	7,327
Cash and cash equivalents – end of period	<u>\$ 28,509</u>	<u>\$ 30,902</u>

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable.

1347 PROPERTY INSURANCE HOLDINGS, INC. AND SUBSIDIARIES

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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1347 PROPERTY INSURANCE HOLDINGS, INC. AND SUBSIDIARIES

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
1347 Property Insurance Holdings, Inc.
St. Petersburg, FL

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of 1347 Property Insurance Holdings, Inc. (the “Company”) and subsidiaries as of December 31, 2019 and 2018, the related consolidated statements of income and comprehensive income, shareholders’ equity, and cash flows for each of the two years in the period ended December 31, 2019, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2019 and 2018, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Emphasis of Matter – Sale of Substantially All Business Operations

As discussed in Notes 1 and 4 to the consolidated financial statements, the Company completed the sale of all of the issued and outstanding equity of its three former wholly-owned subsidiaries, which represented substantially all of the Company’s 2019 and 2018 business operations. Accordingly, these three former wholly-owned subsidiaries have been presented as discontinued operations for all periods presented.

/s/ BDO USA, LLP

We have served as the Company’s auditor since 2012.
Grand Rapids, Michigan
March 30, 2020

1347 PROPERTY INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(\$ in thousands, except share and per share data)

	December 31, 2019	December 31, 2018
ASSETS		
Equity securities, at fair value (cost basis of \$25,500 and \$0)	\$ 29,487	\$ –
Limited liability investments	4,005	2,987
Cash and cash equivalents	28,509	3,666
Current income taxes recoverable	1,265	–
Deferred tax asset, net	–	265
Surplus notes receivable from affiliate	–	18,244
Other assets	188	67
Assets of discontinued operations (Note 4)	–	144,569
Total assets	\$ 63,454	\$ 169,798
LIABILITIES		
Accounts payable	\$ 400	\$ 66
Current income taxes payable	–	932
Deferred tax liability, net	106	–
Due to affiliates	–	2,698
Other liabilities	33	36
Liabilities of discontinued operations (Note 4)	–	103,319
Total liabilities	\$ 539	\$ 107,051
Commitments and contingencies (Note 15)		
SHAREHOLDERS' EQUITY		
Series A Preferred Shares, \$25.00 par value, 1,000,000 shares authorized; 700,000 shares issued and outstanding as of both periods	\$ 17,500	\$ 17,500
Common stock, \$0.001 par value; 10,000,000 shares authorized; 6,217,307 and 6,164,123 shares issued as of December 31, 2019 and 2018, respectively and, 6,065,948 and 6,012,764 shares outstanding as of December 31, 2019 and 2018, respectively	6	6
Additional paid-in capital	46,754	46,340
Retained earnings (accumulated deficit)	(336)	639
Accumulated other comprehensive loss, net of tax	–	(729)
	63,924	63,756
Less: treasury stock at cost, 151,359 shares as of December 31, 2019 and 2018	(1,009)	(1,009)
Total shareholders' equity	62,915	62,747
Total liabilities and shareholders' equity	\$ 63,454	\$ 169,798

See accompanying notes to consolidated financial statements.

1347 PROPERTY INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Income and Comprehensive Income
(\$ in thousands, except share and per share data)

	Year ended December 31,	
	2019	2018
Revenue:		
Net investment income	\$ 5,587	\$ 1,208
Other income	10	—
Total revenue	5,597	1,208
Expenses:		
General and administrative expenses	2,476	1,145
Accretion of discount on Series B Preferred Shares	—	33
Loss on repurchase of Series B Preferred Shares and Performance Shares	—	1,612
Total expenses	2,476	2,790
Income (Loss) from continuing operations before income tax expense	3,121	(1,582)
Income tax expense (benefit)	738	(308)
Net income (loss) from continuing operations	2,383	(1,274)
Discontinued operations (Note 4):		
Gain (Loss) from sale of the Maison Business, net of taxes	7,066	(50)
Income (Loss) from the Maison Business, net of taxes	(9,138)	2,128
Net profit (loss) from discontinued operations, net of taxes	(2,072)	2,078
Net income	\$ 311	\$ 804
Dividends declared on Series A Preferred Shares	1,400	1,108
Income (loss) attributable to common shareholders	\$ (1,089)	\$ (304)
Basic and diluted net earnings (loss) per common share:		
Continuing operations	\$ 0.16	\$ (0.40)
Discontinued operations	\$ (0.34)	\$ 0.35
Loss per share attributable to common shareholders	\$ (0.18)	\$ (0.05)
Weighted average common shares outstanding:		
Basic and diluted	6,018,542	5,989,742
Consolidated Statements of Comprehensive Income		
Net income	\$ 311	\$ 804
Unrealized gains (losses) on investments available for sale, net of income taxes	1,342	(527)
Comprehensive income	\$ 1,653	\$ 277

See accompanying notes to consolidated financial statements.

1347 PROPERTY INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
(\$ in thousands, except share amounts)

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Treasury Stock</u>		<u>Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			<u>Loss</u>	<u>Shareholders' Equity</u>
January 1, 2018	-	\$ -	5,984,766	\$ 6	151,359	\$ (1,009)	\$ 47,064	\$ 910	\$ (169)	\$ 46,802
Stock based compensation	-	-	27,998	-	-	-	337	-	-	337
Issuance of Series A Cumulative Preferred Stock	700,000	17,500	-	-	-	-	(1,007)	-	-	16,493
Repurchase of Performance Shares	-	-	-	-	-	-	(54)	-	-	(54)
Reclassification of certain tax effects from accumulated other comprehensive income at January 1, 2018	-	-	-	-	-	-	-	33	(33)	-
Dividends declared on Series A Preferred Shares (\$1.58 per share)	-	-	-	-	-	-	-	(1,108)	-	(1,108)
Net income	-	-	-	-	-	-	-	804	-	804
Other comprehensive loss	-	-	-	-	-	-	-	-	(527)	(527)
Balance, December 31, 2018	<u>700,000</u>	<u>\$ 17,500</u>	<u>6,012,764</u>	<u>\$ 6</u>	<u>151,359</u>	<u>\$ (1,009)</u>	<u>\$ 46,340</u>	<u>\$ 639</u>	<u>\$ (729)</u>	<u>\$ 62,747</u>
Cumulative effect of adoption of ASU 2016-01	-	-	-	-	-	-	-	104	(104)	-
Cumulative effect of adoption of Topic 842	-	-	-	-	-	-	-	10	-	10
Stock based compensation	-	-	53,184	-	-	-	414	-	-	414
Dividends declared on Series A Preferred Shares (\$2.00 per share)	-	-	-	-	-	-	-	(1,400)	-	(1,400)
Net income	-	-	-	-	-	-	-	311	-	311
Other comprehensive income	-	-	-	-	-	-	-	-	1,342	1,342
Unrealized gains realized upon sale of Maison Business	-	-	-	-	-	-	-	-	(509)	(509)
Balance, December 31, 2019	<u>700,000</u>	<u>\$ 17,500</u>	<u>6,065,948</u>	<u>\$ 6</u>	<u>151,359</u>	<u>\$ (1,009)</u>	<u>\$ 46,754</u>	<u>\$ (336)</u>	<u>\$ -</u>	<u>\$ 62,915</u>

See accompanying notes to consolidated financial statements

1347 PROPERTY INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(\$ in thousands)

	<u>Year ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Cash provided by (used in):		
Operating activities:		
Net income	\$ 311	\$ 804
Net (income) loss from discontinued operations, net of income taxes	2,072	(2,078)
Adjustments to reconcile net income to net cash provided by operating activities:		
Unrealized holding gains on equity investments	(3,998)	–
Accretion of discount on Series B Preferred Shares	–	33
Loss on repurchase of Series B Preferred Shares and Performance Shares	–	612
Net deferred income taxes	371	(26)
Stock compensation expense	414	337
Changes in operating assets and liabilities:		
Accrued interest on surplus notes due from affiliate	244	(22)
Other assets	(121)	1
Accounts payable and other accrued expenses	331	(44)
Current income taxes payable	(2,197)	(107)
Amounts due to affiliates	(2,698)	2,647
Net cash provided (used) by operating activities – continuing operations	(5,271)	2,157
Net cash provided (used) by operating activities – discontinued operations	(15,367)	22,637
Net cash provided (used) by operating activities	(20,638)	24,794
Investing activities:		
Proceeds from repayment of surplus notes due from affiliates	18,000	1,100
Issuance of surplus notes to affiliates	–	(8,450)
Net purchases of furniture and equipment	(3)	–
Purchase of limited liability investments from affiliates	(1,007)	(2,987)
Net cash provided (used) by investing activities – continuing operations	16,990	(10,337)
Net cash provided (used) by investing activities – discontinued operations	2,694	(18,910)
Net cash provided (used) by investing activities	19,684	(29,247)
Financing activities:		
Net proceeds from the issuance of Series A Preferred Stock	–	16,493
Repurchase of Series B Preferred Shares and Performance Shares	–	(3,300)
Payment of dividends on preferred shares	(1,400)	(1,348)
Net cash provided (used) by financing activities – continuing operations	(1,400)	11,845
Net cash used by financing activities – discontinued operations	(39)	(65)
Net cash provided (used) by financing activities	(1,439)	11,780
Net increase (decrease) in cash and cash equivalents	(2,393)	7,327
Cash and cash equivalents at beginning of period	30,902	23,575
Cash and cash equivalents at end of period	\$ 28,509	\$ 30,902
Supplemental disclosure of cash flow information:		
Net cash paid (refunds received) during the period for income taxes	\$ (628)	\$ 1,606
Non-cash financing activities:		
Obligation for the acquisition of vehicles under lease agreements	\$ –	\$ 118

See accompanying notes to consolidated financial statements.

1347 PROPERTY INSURANCE HOLDING, INC.
Notes to Financial Statements
(amounts presented in thousands, except share and per share data and as otherwise specified)

1. Nature of Business

1347 Property Insurance Holdings, Inc. (“PIH”, the “Company”, “we”, or “us”) is a holding company which previously specialized in providing personal property insurance in coastal markets including those in Louisiana, Texas and Florida. We were incorporated on October 2, 2012 in the State of Delaware under the name Maison Insurance Holdings, Inc., and changed our legal name to 1347 Property Insurance Holdings, Inc. on November 19, 2013. On March 31, 2014, we completed an initial public offering of our common stock. Prior to the offering, we were a wholly owned subsidiary of Kingsway America Inc., which, in turn, is a wholly owned subsidiary of Kingsway Financial Services Inc., or KFSI, a publicly owned Delaware holding company. As of December 31, 2019, KFSI and its affiliates held warrants that, if exercised, would cause KFSI and its affiliates to hold an approximate 20% ownership interest in our common stock. In addition, as of December 31, 2019, Fundamental Global Investors, LLC and its affiliates, or FGI, beneficially owned approximately 45% of our outstanding shares of common stock. D. Kyle Cerminara, Chairman of our Board of Directors, serves as Chief Executive Officer, Co-Founder and Partner of FGI, and Lewis M. Johnson, Co-Chairman of our Board of Directors, serves as President, Co-Founder and Partner of FGI.

On December 2, 2019, we completed the sale of all of the issued and outstanding equity of three of the Company’s wholly-owned subsidiaries, Maison Insurance Company (“Maison”), Maison Managers Inc. (“MMI”) and ClaimCor, LLC (“ClaimCor” and, together with Maison and MMI, the “Maison Business”), to FedNat Holding Company, a Florida corporation (“FedNat”), pursuant to the terms and conditions of the Equity Purchase Agreement, dated as of February 25, 2019 (the “Purchase Agreement”), by and among the Company and the Maison Business, on the one hand, and FedNat, on the other hand (the “Asset Sale”).

As consideration for the Asset Sale, FedNat paid the Company \$51,000, consisting of \$25,500 in cash and \$25,500 in FedNat’s common stock, or 1,773,102 shares of common stock. The stock consideration was determined by dividing \$25,500 by the weighted average closing price per share of FedNat’s common stock on the Nasdaq Stock Market during the 20-trading day period immediately preceding December 2, 2019. In addition, upon the closing of the Asset Sale, \$18,000 of outstanding surplus note obligations payable by Maison to the Company, plus all accrued but unpaid interest, was repaid to the Company.

On December 31, 2019, the shares of FedNat common stock issued to the Company were registered under the Securities Act of 1933, as amended (the “Securities Act”), pursuant to the terms of the Registration Rights Agreement entered into by the Company and FedNat at the closing of the Asset Sale.

In addition to the Registration Rights Agreement, the Company and FedNat entered into a Standstill Agreement, a Reinsurance Capacity Right of First Refusal Agreement (the “Reinsurance Agreement”), an Investment Advisory Agreement and a Transition Services Agreement at the closing of the Asset Sale.

Standstill Agreement

The Standstill Agreement imposes certain limitations and restrictions with respect to the voting securities of FedNat (including shares of FedNat common stock) that are owned or held beneficially or of record by the Company. Under the Standstill Agreement, the Company has agreed to vote all of the voting securities of FedNat beneficially owned by the Company in accordance with the recommendation of the board of directors of FedNat with respect to any matter that is before the stockholders of FedNat for a vote by such stockholders. The Standstill Agreement imposes limitations on the sale of voting securities of FedNat held by the Company and restricts the Company from taking certain actions as a holder of voting securities of FedNat. The term of the Standstill Agreement is five years.

For insurance regulatory purposes, the Company has waived any rights that it may have to exercise control of FedNat.

Reinsurance Capacity Right of First Refusal Agreement

The Reinsurance Agreement provides the Company with a right of first refusal to sell reinsurance coverage to the insurance company subsidiaries of FedNat, providing reinsurance on up to 7.5% of any layer in FedNat’s catastrophe reinsurance program, subject to the annual reinsurance limit of \$15,000, on the terms and subject to the conditions set forth in the Reinsurance Agreement. All reinsurance sold by the Company pursuant to the right of first refusal, if any, will be memorialized in an agreement in such form and subject to such terms and conditions as are customary in the property and casualty insurance industry. The Reinsurance Agreement is assignable by the Company subject to conditions set forth in the agreement. The term of the Reinsurance Agreement is five years.

1347 PROPERTY INSURANCE HOLDING, INC.

Notes to Financial Statements

(amounts presented in thousands, except share and per share data and as otherwise specified)

Investment Advisory Agreement

Pursuant to the Investment Advisory Agreement, Fundamental Global Advisors LLC, a wholly-owned subsidiary of the Company (“Advisor”), was formed to provide investment advisory services to FedNat, including identifying, analyzing and recommending potential investments, advising as to existing investments and investment optimization, recommending investment dispositions, and providing advice regarding macro-economic conditions. In exchange for providing the investment advisory services, FedNat has agreed to pay Advisor an annual fee of \$100. FGI Funds Management, LLC will serve as the manager to the Advisor. FGI Funds Management, LLC is an affiliate of Fundamental Global Investors, LLC, the Company’s largest stockholder. The term of the Investment Advisory Agreement is five years.

Transition Services Agreement

To facilitate the transition following the Asset Sale, the Company and FedNat entered into a Transition Services Agreement, pursuant to which the Company has agreed to provide certain transition accounting services to FedNat and the Insurance Companies, as requested, and FedNat will arrange for certain prior employees of the Company who became employees of the FedNat in connection with the Asset Sale to provide transition accounting services to the Company, as requested, on the terms and conditions set forth in the Transition Services Agreement.

Business Going Forward

Going forward, the Company intends to operate as a diversified holding company of reinsurance and investment management businesses. Subject to the approval of the Company’s stockholders at the Company’s 2020 Annual Meeting, the Company intends to change its name to “Fundamental Global Financial Corporation” to align with its future business plans. Fundamental Global Financial Corporation (“FGFC”) plans to carry out its business through three primary avenues, insurance, asset management, and real estate. The Company also intends to change the ticker symbols for its common stock and 8.00% cumulative preferred stock, Series A, and has reserved with Nasdaq the ticker symbols “FGI” and “FGIPP,” respectively.

Insurance:

The Company is in the process of forming a wholly owned reinsurance subsidiary, Fundamental Global Reinsurance Ltd., to provide specialty property and casualty reinsurance. Fundamental Global Reinsurance Ltd. is expected to have a Class B (iii) insurer license in accordance with the terms of The Insurance Law, 2010 and underlying regulations thereto and will be subject to regulation by the Cayman Islands Monetary Authority.

Asset Management:

The Company has formed a wholly owned subsidiary, Fundamental Global Advisors, LLC to serve as an investment advisor to FedNat Holding Company under the investment advisory agreement entered into at the closing of the Asset Sale. In addition, the Company intends to form a joint venture with Fundamental Global Investors, LLC to sponsor investment advisors that will manage private funds ranging the full spectrum of alternative equities, fixed income, private equity and real estate. FGFC will seek to benefit from the growth of the assets under management of the investment advisors it sponsors and the performance of the funds they manage.

Real Estate:

FGFC plans to purchase controlling interests in income producing real estate assets. FGFC will seek to benefit from underlying rental income on long-term leases with high quality tenants as well as the capital appreciation from the underlying real estate assets.

1347 PROPERTY INSURANCE HOLDING, INC.
Notes to Financial Statements
(amounts presented in thousands, except share and per share data and as otherwise specified)

2. Significant Accounting Policies

Basis of Presentation:

These statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

Principles of Consolidation and Discontinued Operations:

Due to the sale of all of the issued and outstanding equity of Maison, MMI and ClaimCor on December 2, 2019, these operations have been classified as discontinued operations in the Company’s financial statements presented herein. Certain transactions between the Company and its subsidiaries, which have historically been eliminated upon consolidation, are shown on a gross basis in the accompanying financial statements as such transactions have occurred between discontinued operations and those operations which the Company intends to continue to utilize. These items include surplus notes in the amount of \$18,000 plus approximately \$728 in accrued interest, all of which was settled upon the closing of the Asset Sale. These notes, which had been issued by Maison to the Company, have been reflected as both an asset of continuing operations and liability of discontinued operations on the Company’s consolidated balance sheet as of December 31, 2018. Interest associated with these surplus notes has been recorded as part of net investment income from continuing operations as well as interest expense as part of discontinued operations on the Company’s consolidated statement of operations for the years ended December 31, 2019 and 2018. Similarly, amounts due from the Company to Maison upon the assignment of certain of Maison’s investments to the Company have been reflected as an asset of continuing operations under the heading “Limited liability investments”, as well as a corresponding liability under the heading “Due to affiliates” on the Company’s consolidated balance sheet as of December 31, 2018. Pursuant to the terms of the Purchase Agreement, this assignment of investments was settled, in cash, prior to closing of the transaction. All other significant intercompany balances and transactions have been eliminated upon consolidation.

The Use of Estimates in the Preparation of Consolidated Financial Statements:

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures about contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Changes in estimates are recorded in the accounting period in which the change is determined. The critical accounting estimates and assumptions in the accompanying consolidated financial statements include the provision for loss and loss adjustment expense reserves, the valuation of fixed income securities and limited liability investments, valuation of net deferred income taxes, the valuation of various securities we have issued in conjunction with the termination of the management services agreement with 1347 Advisors, LLC, the valuation of deferred policy acquisition costs, and stock-based compensation expense.

Investments:

Investments in fixed income securities were classified as available-for-sale and reported at estimated fair value prior to the sale of our fixed income portfolio to FedNat. Unrealized gains and losses on fixed income securities were included in accumulated other comprehensive income (loss), net of tax, until sold or an other-than-temporary impairment is recognized, at which point the cumulative unrealized gains or losses were transferred to the consolidated statement of income. Effective January 1, 2019, we adopted Accounting Standards Update No. 2016-01, *Financial Instruments—Overall*, requiring us to recognize unrealized gains and losses on our equity securities through income. See Note 3 – Recently Adopted and Issued Accounting Standards for additional information. As of December 31, 2018, our fixed income and equity securities were held by the Company’s insurance subsidiary, Maison, and accordingly have been listed as part of assets of discontinued operations on the Company’s consolidated balance sheet.

Limited liability investments include investments in a limited partnership and a limited liability company for which there does not exist a readily determinable fair value. The Company accounts for these investments at their cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investment of the same issuer. Any profit distributions the Company receives on these investments is included in income.

Limited liability investments also include an investment where the Company is a limited partner in a limited partnership, which we have determined to be a variable interest entity (VIE), in which the Company is not the primary beneficiary. The Company does not have a controlling financial interest in the limited partnership, but exerts significant influence over the entity’s operating and financial policies as it owns an economic interest of approximately 49%. Accordingly, the Company has accounted for this investment under the equity method of accounting, recognizing any unrealized gains or losses on the investment through income. See Note 5 for additional information on the Company’s investment in the VIE.

1347 PROPERTY INSURANCE HOLDING, INC.
Notes to Financial Statements
(amounts presented in thousands, except share and per share data and as otherwise specified)

Other investments consisted of short-term investments, with original maturities between three months and one year, reported at cost, which approximates estimated fair value due to their short-term nature. Other investments also included a fixed rate certificate of deposit with an original maturity of 15 months. These investments were held by the Company's insurance subsidiary, Maison and accordingly have been listed as part of assets of discontinued operations on the Company's consolidated balance sheet as of December 31, 2018.

Realized gains and losses on sales of investments are determined on a first-in, first-out basis, and are included in net investment income.

Interest income is included in net investment income and is recorded as it accrues.

The Company accounts for its investments using trade date accounting.

The Company conducts a quarterly review to identify and evaluate investments that show objective indications of possible impairment. Impairment is charged to the statement of income if the fair value of the instrument falls below its amortized cost and the decline is considered other-than-temporary. Factors considered in determining whether a loss is other-than-temporary include the length of time and extent to which fair value has been below cost, the financial condition and near-term prospects of the issuer, and the Company's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery.

Cash and Cash Equivalents:

Cash and cash equivalents include cash and highly liquid investments with original maturities of 90 days or less.

Reinsurance:

Reinsurance premiums, losses, and loss adjustment expenses are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Premiums and losses ceded to other companies have been reported as a reduction of premium revenue and incurred net losses and loss adjustment expenses. A reinsurance recoverable is recorded for that portion of paid and unpaid losses and loss adjustment expenses that are ceded to other companies.

Income Taxes:

The Company follows the asset and liability method of accounting for income taxes, whereby deferred income tax assets and liabilities are recognized for (i) the differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases and (ii) loss and tax credit carry-forwards. Deferred income 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 date of enactment. Future tax benefits are recognized to the extent that realization of such benefits is more likely than not and a valuation allowance is established for any portion of a deferred tax asset that management believes will not be realized. Current federal income taxes are charged or credited to operations based upon amounts estimated to be payable or recoverable as a result of taxable operations for the current year. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense (benefit).

1347 PROPERTY INSURANCE HOLDING, INC.
Notes to Financial Statements
(amounts presented in thousands, except share and per share data and as otherwise specified)

Concentration of Credit Risk:

Financial instruments which potentially expose the Company to concentrations of credit risk include investments, cash, and premiums receivable prior to the Asset Sale transaction. The Company maintains its cash with a major U.S. domestic banking institution which is insured by the Federal Deposit Insurance Corporation (“FDIC”) for up to \$250. As of December 31, 2019 the Company held funds in excess of these FDIC insured amounts. The terms of these deposits are on demand to mitigate some of the associated risk. The Company has not incurred losses related to these deposits.

The Company had not experienced significant losses related to premiums receivable from its policyholders nor from amounts due from reinsurers prior to the Asset Sale transaction on December 2, 2019.

Revenue Recognition:

Premium revenue, up to the date of the Asset Sale transaction was recognized on a pro rata basis over the term of the respective policy contract.

Service charges on installment premiums were recognized as income upon receipt of related installment payments and were reflected in other income up to the date of the Asset Sale transaction.

Revenue from policy fees was deferred and recognized over the term of the respective policy period, with revenue reflected in other income up to the date of the Asset Sale transaction.

Ceded premiums were charged to income over the applicable term of the various reinsurance contracts with third party reinsurers.

Stock-Based Compensation:

The Company has accounted for stock-based compensation under the provisions of ASC Topic 718 – *Stock Compensation* which requires the use of the fair-value based method to determine compensation for all arrangements under which employees and others receive shares of stock or equity instruments. The fair value of each stock option award is estimated on the date of grant using the Black-Scholes valuation model using assumptions for expected volatility, expected dividends, expected term, and the risk-free interest rate. The fair value of each stock option award is recorded as compensation expense on a straight-line basis over the requisite service period, which is generally the period in which the stock options vest, with a corresponding increase to additional paid-in capital.

The Company has also issued restricted stock units (“RSUs”) to certain of its employees and directors which have been accounted for as equity-based awards since, upon vesting, they are required to be settled in the Company’s common shares. We have used the fair value of the Company’s common stock on the date the RSUs were issued to estimate the grant date fair value of those RSUs which vest solely based upon the passage of time, as well as a Monte Carlo valuation model to estimate the fair value of those RSUs which vest solely upon market-based conditions. The fair value of each RSU is recorded as compensation expense over the requisite service period, which is generally the expected period over which the awards will vest. In the case of those RSUs which vest upon market-based conditions, should the market-based condition be achieved prior to the expiration of the derived service period, any unrecognized cost will be recorded as compensation expense in the period in which the RSUs actually vest.

Based upon the Company’s historical forfeiture rates relating to stock options and RSUs, the Company has not made any adjustment to stock compensation expense for expected forfeitures as of December 31, 2019. See Note 7 for further disclosure.

Fair Value of Financial Instruments:

The carrying values of certain financial instruments, including cash, short-term investments, premiums receivable, accounts payable, and other accrued expenses approximate fair value due to their short-term nature. The Company measures the fair value of financial instruments in accordance with GAAP which defines fair value as the exchange price that would be received for an asset (or paid to transfer a liability) in the principal or most advantageous market for the asset (or liability) in an orderly transaction between market participants on the measurement date. GAAP also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. See Note 12 for further information on the fair value of the Company’s financial instruments.

1347 PROPERTY INSURANCE HOLDING, INC.
Notes to Financial Statements
(amounts presented in thousands, except share and per share data and as otherwise specified)

Earnings (loss) Per Common Share:

Basic earnings (loss) per common share is computed using the weighted average number of shares outstanding during the respective period.

Diluted earnings (loss) per common share assumes conversion of all potentially dilutive outstanding stock options, restricted stock units, warrants or other convertible financial instruments. Potential common shares outstanding are excluded from the calculation of diluted earnings (loss) per share if their effect is anti-dilutive.

3. Recently Adopted and Issued Accounting Standards

Recently Adopted Accounting Standards

ASU 2014-09: Revenue from Contracts with Customers:

The Financial Accounting Standards Board (the “FASB”) has issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*, and related amendments ASU 2015-14, ASU 2016-10, ASU 2016-12, ASU 2016-20, ASU 2017-05 and ASU 2017-13 (collectively, “Topic 606”). Topic 606 creates a new comprehensive revenue recognition standard that will serve as a single source of revenue guidance for all companies that either enter into contracts with customers to transfer goods or services or enter into contracts for the transfer of non-financial assets, unless those contracts are within the scope of other standards, such as insurance contracts. Topic 606 became effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. The Company adopted Topic 606 on January 1, 2018, but since virtually all of the Company’s historic revenues related to insurance contracts and investment income, the adoption of Topic 606 did not have an impact on the Company’s revenues. The Company will continue to monitor and examine transactions that could potentially fall within the scope of Topic 606 as such transactions are consummated.

ASU 2018-02: Income Statement – Reporting Comprehensive Income:

In February 2018, the FASB issued ASU 2018-02: *Income Statement – Reporting Comprehensive Income*. ASU 2018-02 was issued to address financial reporting issues that arose as a result of the passage of the Tax Cuts and Jobs Act, enacted into law by the United States federal government on December 22, 2017. Prior to the issuance of ASU 2018-02, GAAP required that deferred tax assets and liabilities be adjusted for the effect of a change in tax laws or rates with the effect included in income from continuing operations in the reporting period that includes the enactment date. That guidance was applicable even in situations in which the related income tax effects of items in accumulated other comprehensive income were originally recognized in other comprehensive income. Under ASU 2018-02, a reclassification from accumulated other comprehensive income to retained earnings is allowed for stranded tax effects resulting from the Tax Cuts and Jobs Act. However, because ASU 2018-02 only relates to the reclassification of the income tax effects of the Tax Cuts and Jobs Act, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. The Company adopted the amendments in this update on January 1, 2018 and determined that ASU 2018-02 applied to the deferred taxes related to unrealized losses on its investment portfolio, which had been previously recognized in other comprehensive income. This resulted in the reclassification of \$33 from accumulated other comprehensive income to retained earnings, representing the stranded tax effect on these losses.

ASU 2016-01: Financial Instruments-Overall:

In January 2016, the FASB issued ASU 2016-01: *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 amends various aspects of the recognition, measurement, presentation, and disclosure for financial instruments. Most significantly, ASU 2016-01 requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of an investee) to be measured at fair value with changes in fair value recognized in net income. The Company adopted ASU 2016-01 effective January 1, 2019, resulting in a cumulative-effect adjustment to retained earnings in the amount of \$104, representing the after-tax unrealized holding gains in accumulated other comprehensive income as of December 31, 2018, related to the Company’s available-for-sale equity securities. Subsequent changes in the estimated fair value of the Company’s equity securities have now been recognized in the Company’s consolidated statement of operations rather than in comprehensive income.

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ASU 2016-02: Leases:

In February 2016, the FASB issued ASU 2016-02: *Leases*. ASU 2016-02 was issued to improve the financial reporting of leasing transactions. Under the previous guidance for lessees, leases were only included on the consolidated balance sheet if certain criteria, classifying the agreement as a capital lease, were met. This update requires the recognition of a right-of-use asset and a corresponding lease liability, discounted to present value, for all leases that extend beyond 12 months. The Company adopted this guidance effective January 1, 2019, using the modified retrospective method, under which we elected the package of practical expedients and transition provisions allowing us to bring our existing operating leases onto the Company's consolidated balance sheet without adjusting comparative periods. We previously had operating leases for our facilities, which resulted in a cumulative-effect adjustment to retained earnings in the amount of \$10. We also recognized both a right-of-use asset and lease liability in the amount of \$314. Right-of-use assets are recognized at the lease commencement date at amounts equal to the respective lease liabilities, adjusted for prepaid lease payments, initial direct costs, and lease incentives received. Lease liabilities were recognized at the present value of the remaining contractual fixed lease payments, discounted using our incremental borrowing rate. Operating lease expense was recognized on a straight-line basis over the lease term, while variable lease payments are expensed as incurred.

The Company's right-of-use assets and lease liabilities were reflected in the Company's consolidated balance sheet in assets of discontinued operations and liabilities of discontinued operations, respectively, prior to the Company's leases being sold with the insurance operations of the business on December 2, 2019.

Accounting Standards Pending Adoption

ASU 2016-13: Financial Instruments – Credit Losses:

In June 2016, the FASB issued ASU 2016-13: *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 was issued to provide financial statement users with more useful information regarding the expected credit losses on financial instruments held as assets. Under current GAAP, financial statement recognition for credit losses on financial instruments was generally delayed until the occurrence of the loss was probable. The amendments of ASU 2016-13 eliminate this probable initial recognition threshold and instead reflect an entity's current estimate of all expected credit losses. The amendments also broaden the information that an entity must consider in developing its expected credit loss estimates for those assets measured at amortized cost by using forecasted information instead of the current methodology which only considered past events and current conditions. Under ASU 2016-13, credit losses on available-for-sale debt securities will be measured in a manner similar to current GAAP; however, the amendments require that credit losses be presented as an allowance against the investment, rather than as a write-down. The amendments also allow the entity to record reversals of credit losses in current period net income, which is prohibited under current GAAP. The amendments in this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted, however smaller reporting companies may delay adoption until January 2023. The Company is currently evaluating the impact of the adoption of ASU 2016-13 on its consolidated financial statements.

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4. Discontinued Operations

As previously discussed, on December 2, 2019, we completed the sale of all of the issued and outstanding equity of our three former wholly-owned subsidiaries, Maison, MMI and ClaimCor. Accordingly, the Company has classified the Maison Business as discontinued operations for all periods presented in this report as set forth in ASC 205-20 – *Discontinued Operations*.

The following table presents a reconciliation of the carrying amounts of major classes of assets and liabilities included in discontinued operations which are presented separately in the Company's consolidated balance sheet as of December 31, 2018. On December 2, 2019 the assets and liabilities previously included in discontinued operations had been disposed of in the Asset Sale transaction.

	December 31,	
	2018	
Carrying amounts of assets included as part of discontinued operations		
Fixed income securities, at fair value (amortized cost of \$77,366)	\$	76,310
Equity investments, at fair value (cost of \$3,130)		3,263
Other investments		774
Cash and cash equivalents		27,236
Deferred policy acquisition costs		9,111
Premiums receivable, net of allowance of \$50		7,720
Ceded unearned premiums		6,525
Reinsurance recoverable on paid losses		530
Reinsurance recoverable on loss reserves		5,661
Current income taxes recoverable		2,051
Deferred tax asset, net		1,014
Due from affiliate		2,698
Other assets		1,676
Total assets of discontinued operations included in the Company's consolidated balance sheet	\$	<u>144,569</u>
Carrying amounts of liabilities included as part of discontinued operations		
Loss and loss adjustment expense reserves	\$	15,151
Unearned premium reserves		51,907
Ceded reinsurance premiums payable		9,495
Agency commissions payable		802
Premiums collected in advance		1,840
Surplus notes plus interest due to affiliate		18,244
Accrued premium taxes and assessments		3,059
Other liabilities		2,821
Total liabilities of discontinued operations included in the Company's consolidated balance sheet	\$	<u>103,319</u>

The following table presents a reconciliation of the major classes of line items constituting pretax profit (loss) of discontinued operations to the after-tax profit (loss) of discontinued operations that are presented in the Company's consolidated statement of operations for the years ended December 31, 2019 and 2018.

	Year ended December 31,	
	2019	2018
Gain from sale of the Maison Business		
Cash consideration received from sale	\$ 25,500	\$ –
Stock consideration received from sale	25,500	–
Total consideration received from sale	<u>51,000</u>	<u>–</u>
Less:		
Carrying value of the Maison Business on December 1, 2019	39,099	–
Transaction and other sale related costs	2,818	50
Total pre-tax reductions	<u>41,917</u>	<u>50</u>
Pre-tax gain (loss) on sale	9,083	(50)
Income tax expense	2,017	–
Net gain (loss) from sale of the Maison Business	\$ 7,066	\$ (50)
Net premiums earned	\$ 49,691	\$ 54,357
Net investment income	4,354	1,552
Other income	2,854	2,246
Net losses and loss adjustment expenses	(41,634)	(27,413)
Amortization of deferred policy acquisition costs	(15,983)	(15,313)

General and administrative expenses	(9,200)	(12,369)
Interest expense on surplus notes due to affiliate	<u>(1,708)</u>	<u>(1,142)</u>
Pretax profit (loss) from the Maison Business	(11,626)	1,918
Income tax benefit	<u>(2,488)</u>	<u>(210)</u>
Income (loss) from the Maison Business, net of taxes	\$ (9,138)	\$ 2,128
Net profit (loss) from discontinued operations, net of taxes	<u>\$ (2,072)</u>	<u>\$ 2,078</u>

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5. Investments

On December 2, 2019, the Company received 1,773,102 shares of FedNat Holding Company common stock (NASDAQ: FNHC), along with \$25,500 cash as consideration for the Asset Sale. The stock consideration was determined by dividing \$25,500 by the weighted average closing price per share of FedNat's common stock on the Nasdaq Stock Market during the 20-trading day period immediately preceding December 2, 2019. As of March 26, 2020, the estimated fair value of the Company's 1,773,102 shares of FNHC common stock was \$20,320.

The Company's limited liability investments are comprised of investments in a limited partnership and a limited liability company which seek to provide equity and asset-backed debt investment in a variety of privately-owned companies. The Company had a total potential commitment of \$935 related to these investments, of which the two entities have drawn down approximately \$776 through December 31, 2019. The limited liability company is managed by Argo Management Group, LLC, an entity which is wholly owned by KFSI. The Company has accounted for these two investments at cost minus impairment, if any, as the investments do not have readily determinable fair values. For the year ended December 31, 2019, the Company has received profit distributions of \$91 on these investments which has been included in income.

Additionally, on June 18, 2018, Maison invested \$2,219 in FGI Metrolina Property Income Fund, LP (the "Fund"), which invests in real estate through a real estate investment trust which is wholly owned by the Fund. The general partner of the Fund, FGI Metrolina GP, LLC, is managed, in part, by Messrs. Cerminara and Johnson, the Chairman and Co-Chairman of the Board of Directors of the Company, respectively. The Company, a limited partner of the Fund, does not have a controlling financial interest in the Fund, but exerts significant influence over the entity's operating and financial policies as it owns an economic interest of approximately 49%. Accordingly, the Company has accounted for this investment under the equity method of accounting, recognizing any unrealized holding gains or losses in income. The Company has committed to a total potential investment of up to \$4,000 in the Fund. As of December 31, 2019, the total amount invested in the Fund was \$2,719, while the carrying amount on the Company's balance sheet was \$3,229. The Company recognized an unrealized holding gain of \$518 on this investment for the year ended December 31, 2019, and an unrealized holding loss of \$8 on this investment for the year ended December 31, 2018.

Pursuant to the terms of the Purchase Agreement, Maison assigned all of its right, title and interest in each of the limited liability investments to the Company in exchange for the statutory carrying value of each investment (approximately \$4,200). Accordingly, these investments have been included on the Company's consolidated balance sheet as of December 31, 2019 and 2018 as part of continuing operations. Investment income resulting from the Company's limited liability investments has also been included in net investment income as part of continuing operations, on the Company's consolidated statement of operations for the years ended December 31, 2019 and 2018.

A summary of the Company's investments as of December 31, 2019 and 2018 is as follows.

	<u>Cost Basis</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Carrying Amount</u>
As of December 31, 2019				
FNHC common stock	\$ 25,500	\$ 3,987	\$ —	\$ 29,487
Limited liability investments	3,495	510	—	4,005
Total investments	<u>\$ 28,995</u>	<u>\$ 4,497</u>	<u>\$ —</u>	<u>\$ 33,492</u>
As of December 31, 2018				
Limited liability investments	\$ 2,995	\$ —	\$ (8)	\$ 2,987

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Other-than-Temporary Impairment:

The establishment of an other-than-temporary impairment on an investment requires a number of judgments and estimates. The Company performs a quarterly analysis of the individual investments to determine if declines in market value are other-than-temporary. The analysis includes some or all of the following procedures as deemed appropriate by the Company:

- considering the extent, and length of time during which the market value has been below cost;
- identifying any circumstances which management believes may impact the recoverability of the unrealized loss positions;
- obtaining a valuation analysis from a third-party investment manager regarding the intrinsic value of these investments based upon their knowledge and experience combined with market-based valuation techniques;
- reviewing the historical trading volatility and trading range of the investment and certain other similar investments;
- assessing if declines in market value are other-than-temporary for debt instruments based upon the investment grade credit ratings from third-party credit rating agencies;
- assessing the timeliness and completeness of principal and interest payment due from the investee; and
- assessing the Company's ability and intent to hold these investments until the impairment may be recovered.

The risks and uncertainties inherent in the assessment methodology used to determine declines in market value that are other-than-temporary include, but may not be limited to, the following:

- the opinions of professional investment managers could be incorrect;
- the past trading patterns of investments may not reflect their future valuation trends;
- the credit ratings assigned by credit rating agencies may be incorrect due to unforeseen events or unknown facts related to the investee company's financial situation; and
- the historical debt service record of an investment may not be indicative of future performance and may not reflect a company's unknown underlying financial problems.

We have not recorded any write-downs for an other-than-temporary impairment on the equity investments listed in the table above. The Company did however record a write-down for an other-than-temporary impairment on a single equity investment resulting in a charge of \$215 for the year ended December 31, 2018. As this investment was held by our former insurance subsidiary, Maison, this charge has been included as part of income from discontinued operations for the year ended December 31, 2018. We recorded this write-down as a result of our analysis of the investment's operating losses for 2018, which showed a considerable decline when compared to its results for 2017.

Net investment income for the years ended December 31, 2019 and 2018 is as follows:

	Year Ended December 31,	
	2019	2018
Investment income:		
Unrealized holding gains on FNHC common stock	\$ 3,987	\$ –
Interest on surplus notes issued by Maison	1,708	1,142
Income from limited liability investments	101	–
Loss on assignment of limited liability investments	(239)	–
Other	55	82
Gross investment income	5,612	1,224
Investment expenses	(25)	(16)
Net investment income	\$ 5,587	\$ 1,208

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6. Income Taxes

A summary of income tax expense (benefit) is as follows:

	Year Ended December 31,	
	2019	2018
Current income tax expense (benefit) – from continuing operations	\$ –	\$ (282)
Current income tax expense (benefit) – from discontinued operations	(894)	832
Total current income tax expense (benefit)	(894)	550
Deferred income tax expense (benefit) – from continuing operations	738	(26)
Deferred income tax expense (benefit) – from discontinued operations	423	(1,042)
Total deferred income tax expense (benefit)	1,161	(1,068)
Total income tax expense (benefit) – from continuing operations	738	(308)
Total income tax expense (benefit) – from discontinued operations	(471)	(210)
Total income tax expense (benefit)	\$ 267	\$ (518)

Actual income tax expense (benefit) differs from the income tax expense computed by applying the applicable effective federal and state tax rates to income before income tax expense as follows:

	Year Ended December 31,			
	2019		2018	
	Amount	%	Amount	%
Provision for taxes at U.S. statutory marginal income tax rate of 21%	\$ 121	21.0%	\$ 60	21.0%
Net operating loss carryback	(213)	(36.9)%	–	–%
State income tax (net of federal benefit)	265	45.9%	(632)	(221.0)%
Share-based compensation	77	13.3%	35	12.2%
Other	17	3.0%	19	6.7%
Income tax expense (benefit)	\$ 267	46.2%	\$ (518)	(181.1)%

Deferred income taxes reflect the net tax effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes as compared to the amounts used for income tax purposes. Significant components of the Company's net deferred tax assets are as follows:

	As of December 31,	
	2019	2018
Deferred income tax assets:		
Net operating loss carryforward	\$ 463	\$ –
Loss and loss adjustment expense reserves	–	87
Unearned premium reserves	–	1,983
Share-based compensation	214	257
Deferred fee income	–	357
State deferred taxes	–	247
Investments	–	216
Other	7	81
Deferred income tax assets	\$ 684	\$ 3,228
Deferred income tax liabilities:		
Investments	\$ 789	\$ –
Deferred policy acquisition costs	–	1,913
State deferred taxes	–	–
Other	1	36
Deferred income tax liabilities	\$ 790	\$ 1,949
Net deferred income tax asset (liability)	\$ (106)	\$ 1,279

As of December 31, 2019, the Company had net operating loss carryforwards ("NOLs") for federal income tax purposes of approximately \$2,204, which will be available to offset future taxable income. Approximately \$2,069 of the Company's NOLs will expire on December 31, 2039, while the

remaining \$135 of the Company's NOLs do not expire under current tax law.

Due to the sale of the Maison Business on December 2, 2019, the December 31, 2019 financial statements show a net deferred tax liability in the amount of \$106. Given that the Company's deferred tax assets can be fully offset with deferred tax liabilities within the expiration window of the deferred tax assets, the Company has determined that it is more likely than not that its deferred tax assets will be utilized. As such, the Company has not set up a valuation allowance for its deferred tax assets as of December 31, 2019.

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Based upon the results of the Company's analysis and the application of ASC 740-10, management has determined that all material tax positions meet the recognition threshold and can be considered as highly certain tax positions. This is based on clear and unambiguous tax law, and the Company is confident that the full amount of each tax position will be sustained upon possible examination. Accordingly, the full amount of the tax positions is anticipated to be recognized in the financial statements.

The Company files federal income tax returns as well as multiple state and local tax returns. The Company's consolidated federal and state income tax returns for the years 2015 - 2018 are open for review by the Internal Revenue Service ("IRS") and the various state taxing authorities.

7. Equity Incentive Plans

In April 2014, the Company established an equity incentive plan for employees and directors of the Company (the "2014 Plan"). The purpose of the Plan was to create incentives designed to motivate recipients to significantly contribute toward the Company's growth and success, to attract and retain persons of outstanding competence, and to provide such persons with an opportunity to acquire an equity interest in the Company.

The Plan allowed for the issuance of non-qualified stock options, restricted stock, restricted stock units ("RSUs"), performance shares, performance cash awards, and other stock-based awards and provided for the issuance of 354,912 shares of common stock. On May 31, 2018, the 2014 Plan was terminated with the adoption of the 2018 Plan, as discussed below.

On May 31, 2018, our shareholders approved the 1347 Property Insurance Holdings, Inc., 2018 Equity Incentive Plan (the "2018 Plan"). The purpose of the 2018 Plan is to attract and retain directors, consultants, and other key employees of the Company and its subsidiaries and to provide to such persons incentives and rewards for superior performance. The 2018 Plan is administered by the Compensation and Management Resources Committee of the Board, and has a term of ten years. The 2018 Plan allows for the issuance of both incentive stock options and non-qualified stock options, stock appreciation rights, RSUs, and other stock-based, as well as cash-based awards, and provides for a maximum of 300,000 shares available for issuance.

Stock Options Issued under the 2014 Plan

The following table summarizes stock option activity for the two years ended December 31, 2019. The following options were issued pursuant to the 2014 Plan.

Common Stock Options	Shares	Weighted Average Exercise Price	Weighted Ave Remaining Contractual Term (Years)	Weighted Ave Grant Date Fair Value	Aggregate Intrinsic Value
Outstanding, January 1, 2018	177,456	\$ 8.06	1.25	\$ 1.07	\$ —
Exercisable, January 1, 2018	156,160	\$ 8.06	1.25	\$ 1.07	\$ —
Granted	—				
Exercised	—				
Vested	21,296				
Cancelled	—				
Outstanding, December 31, 2018	177,456	\$ 8.06	0.25	\$ 1.07	\$ —
Exercisable, December 31, 2018	177,456	\$ 8.06	0.25	\$ 1.07	\$ —
Granted	—				
Exercised	—				
Vested	—				
Cancelled	(177,456)				
Outstanding, December 31, 2019	—	\$ —	—	\$ —	\$ —
Exercisable, December 31, 2019	—	\$ —	—	\$ —	\$ —

Restricted Stock Units Issued under both the 2014 and 2018 Plans

On May 29, 2015, the Company's Board of Directors granted 20,500 RSUs to certain of its executive officers under the 2014 Plan. Each RSU granted entitles the grantee to one share of the Company's common stock upon the vesting date of the RSU. The RSUs vest as follows: (i) 50% upon the date that the closing price of the Company's common stock equals or exceeds \$10.00 per share and; (ii) 50% upon the date that the closing price of the Company's common stock equals or exceeds \$12.00 per share. Prior to the vesting of the RSUs, the grantee will not be entitled to any dividends declared on the Company's common stock. The RSUs do not expire; however, should the grantee discontinue employment with the Company for any reason other than death or disability, all unvested RSUs will be deemed forfeited on the date employment is discontinued. In connection with the Asset Sale and pursuant to the employment and resignation agreements entered into between the Company and its former executive officers, Douglas N. Raucy, and Dean E. Stroud, a total of 16,500 RSUs issued under this grant to Messrs. Raucy and Stroud were cancelled and forfeited on December 2, 2019.

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In connection with the Company's appointment of Dan Case as Chief Operating Officer effective May 23, 2017, we entered into an offer letter with Mr. Case, which provided Mr. Case with the opportunity to purchase up to 68,027 shares of the Company's common stock on the open market or in direct purchases from the Company through June 15, 2018. At the end of the purchase period, the Company agreed to match any such shares purchased by Mr. Case with a grant of RSUs of the Company equal to two RSUs for each share purchased by Mr. Case. Through the purchase period, Mr. Case had purchased 68,027 shares of the Company's common stock pursuant to this arrangement, 28,000 of which shares were purchased directly from the Company at a purchase price of \$8.00 per share on September 14, 2017, resulting in a grant of 136,054 RSUs to Mr. Case on June 15, 2018. This arrangement was entered into outside the 2014 Plan which was in effect at the time, and was approved by the Compensation Committee of the Board of Directors as an inducement material to Mr. Case entering into employment with the Company in reliance on Nasdaq listing rule 5635(c)(4). On December 31, 2018, the effective date of Mr. Case's resignation from the Company, all of the RSUs granted under the arrangement were forfeited prior to their vesting.

On May 29, 2015, the Company's Board of Directors granted RSUs to certain of its executive officers under the 2014 Plan. Each RSU granted entitles the grantee to one share of the Company's common stock upon the vesting date of the RSU. The RSUs vest as follows: (i) 50% upon the date that the closing price of the Company's common stock equals or exceeds \$10.00 per share; and (ii) 50% upon the date that the closing price of the Company's common stock equals or exceeds \$12.00 per share. Prior to the vesting of the RSUs, the grantee will not be entitled to any dividends declared on the Company's common stock. The RSUs do not expire; however, should the grantee discontinue employment with the Company for any reason other than death or disability, all unvested RSUs will be deemed forfeited on the date employment is discontinued.

On May 31, 2017, the Compensation Committee of the Company's Board of Directors approved a share matching arrangement resulting in the issuance of 108,330 RSUs to the Company's officers and non-employee directors then serving under the 2014 Plan. The RSUs were issued on December 15, 2017, and entitle each grantee to one share of the Company's common stock upon the vesting date of the RSU, which will vest 20% per year over a period of five years following the date granted, subject to each officer's continued employment with the Company, or each director's continued service on the Board. Prior to the vesting of the RSUs, the grantee will not be entitled to any dividends declared on the Company's common stock. The RSUs do not expire; however, should the grantee discontinue employment with the Company for any reason other than death or disability, all unvested RSUs will be deemed forfeited on the date employment is discontinued. The Board of Directors may, in its discretion, accelerate vesting in the event of early retirement. In connection with the Asset Sale, the Compensation and Management Resources Committee (the "Compensation Committee") of the Board previously approved the accelerated vesting of the RSUs granted to the Company's former executive officers, Douglas N. Raucy and Dean E. Stroud, under the share-matching arrangement. Accordingly, pursuant to the employment and resignation agreements entered into between the Company and Messrs. Raucy and Stroud, a total of 34,400 unvested RSUs issued to Messrs. Raucy and Stroud vested in full on December 2, 2019.

Similarly, should a director make himself available and consent to be nominated by the Company for continued service but is not nominated by the Board for election by the shareholders, other than for good reason as determined by the Board in its discretion, then such director's RSU grant will vest in full as of his last date of service as a director with the Company. Accordingly, since Mr. Joshua Horowitz's term as a director did not continue following the Company's annual meeting of stockholders held on May 31, 2018, Mr. Horowitz' 6,666 RSUs shares vested in full on May 31, 2018. Directors are required to maintain ownership of the shares purchased through the full five-year vesting period, except as set forth above.

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On August 22, 2018, the Compensation Committee granted 1,000 shares of the Company's common stock (the "Bonus Shares") and 1,000 RSUs to the Company's Chief Financial Officer, John S. Hill, under the 2018 Plan. Each RSU represents a contingent right to receive one share of the Company's common stock. These RSUs vest in five equal annual installments beginning with the first anniversary of the grant date, subject to continued employment, with vesting subject to Mr. Hill maintaining ownership of the Bonus Shares through the full five-year vesting period.

Also on August 22, 2018, the Company modified its compensation program for all non-employee directors of the Company, effective September 1, 2018. The modified compensation program allows for an annual grant of RSUs with a value of \$40, vesting in five equal annual installments, beginning with the first anniversary of the grant date. Accordingly, on August 22, 2018 and again on August 13, 2019, the Board issued RSUs to each of the Company's then serving non-employee directors, representing a value of \$40 per director. The total number of RSUs granted were 34,284 on August 22, 2018 and 61,776 on August 13, 2019. Furthermore, on January 11, 2019, the Company's Board appointed two new directors to the Board, Ambassador Rita Hayes and Dr. Marsha G. King, resulting in the issuance of 5,397 RSUs to each of these two directors, representing their pro-rata share of the RSU grant issued to each of the Company's non-employee directors on an annual basis. The following table summarizes RSU activity for the years ended December 31, 2019 and 2018.

Restricted Stock Units	Number of Units	Weighted Average Grant Date Fair Value
Non-vested units, January 1, 2018	128,830	\$ 6.27
Granted	171,338	7.48
Vested	(26,998)	7.20
Forfeited	(136,054)	7.60
Non-vested units, December 31, 2018	137,116	\$ 6.27
Granted	72,570	5.14
Vested	(53,184)	7.17
Forfeited	(16,500)	1.34
Non-vested units, December 31, 2019	140,002	\$ 5.93

Total stock-based compensation expense for the years ended December 31, 2019 and 2018 was \$413 and \$337, respectively. As of December 31, 2019, total unrecognized stock compensation expense of \$768 remains, which will be recognized through September 30, 2023.

Warrants

For the year ended December 31 30, 2019, a total of 406,875 warrants expired having a weighted average exercise price of \$9.69. Warrants were neither granted nor exercised during the two years ended December 31, 2019. As of December 31, 2019, the Company had 1,500,000 warrants outstanding with an exercise price of \$15.00 which expire on February 24, 2022.

8. Shareholders' Equity

Grant of Bonus Shares to Chief Financial Officer

On August 22, 2018, the Company's Board of Directors granted 1,000 shares of the Company's common stock to the Company's Chief Financial Officer, John S. Hill, as previously discussed in Note 7.

Offering of 8.00% Cumulative Preferred Stock, Series A

On February 28, 2018, we completed the underwritten public offering of 640,000 shares of the Preferred Stock designated as 8.00% Cumulative Preferred Stock, Series A, par value \$25.00 per share. Also, on March 26, 2018, we issued an additional 60,000 shares of Preferred Stock pursuant to the exercise of the underwriters' over-allotment option. Dividends on the Preferred Stock are cumulative from the date of original issue and are payable quarterly on the 15th day of March, June, September and December of each year, when, as and if declared by our Board of Directors or a duly authorized committee thereof. The first dividend record date for the Preferred Stock was on June 1, 2018. For the years ended December 31, 2019 and 2018, the Company declared dividends totaling \$1,400 and \$1,108, respectively, on the Preferred Stock. Dividends are payable out of amounts legally available therefor at a rate equal to 8.00% per annum per \$25.00 of stated liquidation preference per share, or \$2.00 per share of Preferred Stock per year.

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Notes to Financial Statements

(amounts presented in thousands, except share and per share data and as otherwise specified)

The Preferred Stock is not redeemable prior to February 28, 2023. On and after that date, the Preferred Stock will be redeemable at our option, for cash, in whole or in part, at a redemption price of \$25.00 per share of Preferred Stock, plus all accumulated and unpaid dividends to, but not including, the date of redemption. The Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption. The Preferred Stock will generally have no voting rights except as provided in the Certificate of Designations or as from time to time provided by law. The affirmative vote of the holders of at least two-thirds of the outstanding shares of Preferred Stock and each other class or series of voting parity stock will be required at any time for us to authorize, create or issue any class or series of our capital stock ranking senior to the Preferred Stock with respect to the payment of dividends or the distribution of assets on liquidation, dissolution or winding up, to amend any provision of our Certificate of Incorporation so as to materially and adversely affect any rights of the Preferred Stock or to take certain other actions.

Trading of the shares commenced on March 22, 2018 on the Nasdaq Stock Market under the symbol "PIHPP". Net proceeds received by the Company were approximately \$16,500. The Company used \$1,500 of the net proceeds to repurchase 60,000 shares of its Series B Preferred Stock from IWS Acquisition Corporation, as discussed under Note 9 – Related Party Transactions.

A fund managed by Fundamental Global Investors, LLC, one of the Company's significant shareholders, purchased an aggregate of 34,620 shares of the Series A Preferred Stock in the Company's public offering of the shares, at the public offering price of \$25.00 per share, including 31,680 shares purchased for a total of approximately \$792 on February 28, 2018, the closing date of the offering, and 2,940 shares purchased for a total of approximately \$74 on March 26, 2018 in connection with the underwriters' exercise of their over-allotment option. In addition, CWA Asset Management Group, LLC, of which 50% is owned by Fundamental Global Investors, LLC, holds 56,846 shares of the Series A Preferred Stock for customer accounts (including 44 shares of the Series A Preferred Stock held by Mr. Cerminara in a joint account with his spouse) purchased at the public offering price in connection with the underwriters' exercise of their over-allotment option. No discounts or commissions were paid to the underwriters on the purchase of these shares.

9. Related Party Transactions

Related party transactions are carried out in the normal course of operations and are measured in part by the amount of consideration paid or received as established and agreed by the parties. Management believes that consideration paid for such services in each case approximates fair value. Except where disclosed elsewhere in these consolidated financial statements, the following is a summary of related party transactions.

Termination of Performance Share Grant Agreement

On July 24, 2018, the Company entered into a Termination Agreement with Kingsway America, Inc. ("KAI", a wholly owned subsidiary of KFSI) pursuant to which KAI agreed to terminate the Performance Share Grant Agreement ("PSGA") dated March 26, 2014, between the Company and KAI in exchange for a payment of \$1,000 from the Company, which has been recorded as a charge under the heading "Loss on repurchase of Series B Preferred Shares and Performance Shares" on the Company's consolidated statement of operations for year ended December 31, 2018. As a result of the Termination Agreement, KAI has no further rights to any of the performance share grants contemplated by the PSGA. Under the PSGA, KAI was entitled to receive up to an aggregate of 375,000 shares of our common stock upon achievement of certain milestones regarding our stock price. Mr. Larry G. Swets, Jr., who is a director of the Company, served as Chief Executive Officer and Director of KFSI on the date the Company entered into the Termination Agreement. The Company did not issue any shares under the PSGA while the PSGA was outstanding. The Termination Agreement was approved by a special committee of the Board of Directors of the Company consisting solely of independent directors.

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Notes to Financial Statements
(amounts presented in thousands, except share and per share data and as otherwise specified)

Termination of Management Services Agreement and Repurchase of Series B Preferred Shares

On February 24, 2015, we terminated our Management Services Agreement with 1347 Advisors, LLC (“1347 Advisors”), a wholly owned subsidiary of KFSI. In connection with the termination, we entered into a Performance Shares Grant Agreement, dated February 24, 2014, with 1347 Advisors pursuant to which we agreed to issue 100,000 shares of our common stock to 1347 Advisors subject to the achievement of certain events specified in the agreement. We also issued to 1347 Advisors 120,000 shares of our Series B preferred stock having a liquidation amount per share equal to \$25.00 (the “Series B Preferred Shares”) and a warrant to purchase 1,500,000 shares of our common stock at an exercise price of fifteen dollars per share. The warrant expires seven years from the date of issuance. 1347 Advisors subsequently transferred 60,000 of the Series B Preferred Shares to IWS Acquisition Corporation, an affiliate of KFSI.

On January 2, 2018, the Company entered into a Stock Purchase Agreement with 1347 Advisors and IWS Acquisition Corporation, pursuant to which the Company repurchased 60,000 Series B Preferred Shares from 1347 Advisors for an aggregate purchase price of \$1,740, representing (i) the par value of the Series B Preferred Shares, or \$1,500; and (ii) declared and unpaid dividends with respect to the dividend payment due on February 23, 2018, or \$240. Also, in connection with the Stock Purchase Agreement, the Performance Shares Grant Agreement, dated February 24, 2015, between the Company and 1347 Advisors was terminated. In connection with the termination, the Company made a cash payment of \$300 to 1347 Advisors. Upon termination of the MSA Agreement, the Company recorded an increase of approximately \$54 to additional paid in capital, representing the estimated fair value of the Performance Share Grant Agreement on the grant date. Upon the termination of the Performance Share Grant Agreement, we compared the amount previously recorded in additional paid in capital to the amount paid to terminate the agreement, resulting in a reversal of the \$54 originally recorded to additional paid in capital as well as a charge of \$246 recorded to Loss on repurchase of Series B Preferred Shares and Performance Shares on the Company’s consolidated statement of operations for the year ended December 31, 2018.

Pursuant to the Stock Purchase Agreement, the Company also agreed to repurchase the remaining 60,000 Series B Preferred Shares from IWS Acquisition Corporation for an aggregate purchase price of \$1,500, upon the completion of a capital raise resulting in the Company receiving net proceeds in excess of \$5,000. On February 28, 2018, the Company purchased the remaining 60,000 Series B Preferred Shares from IWS Acquisition Corporation for \$1,500 with the proceeds from the offering of the Company’s 8.00% Cumulative Preferred Stock, Series A (the “Preferred Stock”) offering (discussed under Note 8 – Shareholders’ Equity).

The Company applied the guidance outlined in ASC 480 – *Distinguishing Liabilities from Equity* in recording the issuance of the Series B Preferred Shares. Because the shares had a mandatory redemption date of February 24, 2020, applicable guidance required that we classify the shares as a liability on our consolidated balance sheet, rather than recording the value of the shares in equity. The resulting liability was recorded at a discount to the \$4,200 redemption amount plus dividends expected to be paid on the shares while outstanding, discounted for the Company’s estimated cost of equity (13.9%). As a result, total amortization in the amount of \$33 has been charged to continuing operations for the year ended December 31, 2018. Upon our repurchase of the Series B Preferred Shares in both January and February 2018, we compared the amortized carrying amount of the liability to the amount paid to repurchase the shares, resulting in a charge of \$366 to Loss on repurchase of Series B Preferred Shares and Performance Shares on the Company’s consolidated statement of operations for the year ended December 31, 2018.

Investment in Limited Partnership and Limited Liability Company

On April 21, 2016, KFSI completed the acquisition of Argo Management Group LLC (“Argo”). Argo’s primary business is to act as the Managing Member of Argo Holdings Fund I, LLC, an investment fund in which the Company has committed to invest \$500, of which the Company has invested \$341 as of December 31, 2019. The managing member of Argo, Mr. John T. Fitzgerald, was appointed as President and Chief Executive Officer of KFSI on September 5, 2018 and has served on its board of directors since April 21, 2016.

As of December 31, 2019, the Company has invested \$2,719 as a limited partner in FGI Metrolina Property Income Fund, LP (the “Fund”). The general partner of the Fund, FGI Metrolina GP, LLC, is managed, in part, by Messrs. Cerminara and Johnson, the Chairman and Co-Chairman of the Board of Directors of the Company, respectively. The Fund’s investment program is managed by FGI Funds Management LLC, an affiliate of FGI, which, with its affiliates, is the largest stockholder of the Company. The Company’s investment represents an approximate 49% ownership stake in the Fund.

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Upon analysis of the Fund's capital structure, related contractual relationships and terms, nature of the Fund's operations and purpose, as well as our involvement with the entity, we have determined that the Fund represents a variable interest entity (VIE) investment of the Company. Applicable guidance requires us to consolidate those VIEs where we are determined to be the primary beneficiary. The primary beneficiary is the entity that has both 1) the power to direct the activities of the VIE which most significantly affect the VIE's economic performance; and 2) the obligation to absorb losses or the right to receive the benefits that could be potentially significant to the VIE. The Company's investment in the Fund is that of a limited partner with an approximate 49% ownership interest. As limited partners in the Fund do not have the authority to direct the operations of the Fund, we have determined we are not the primary beneficiary of the VIE, and, accordingly, have accounted for this investment under the equity method of accounting.

As of December 31, 2019, the total assets of the Fund were approximately \$6,849. Our maximum exposure to loss associated with our investment in the Fund was \$2,719 as of December 31, 2019. The Company's maximum exposure to loss associated with the Fund is limited to our investment; however, the Company has committed to invest up to \$4,000 in the Fund. Our investment is reflected on our consolidated balance sheet under the heading Limited liability investments. Although it is not the Company's intent, should the Company's ownership percentage in the Fund exceed 50% of the total ownership interest in the Fund, we would be required to consolidate the Fund's financial statements with our results in future periods as we would be deemed to have a controlling interest in the Fund.

Investment Advisory Agreement

Pursuant to the Investment Advisory Agreement entered into upon closing of the Asset Sale, Fundamental Global Advisors LLC, a wholly-owned subsidiary of the Company ("Advisor"), has agreed to provide investment advisory services to FedNat, including identifying, analyzing and recommending potential investments, advising as to existing investments and investment optimization, recommending investment dispositions, and providing advice regarding macro-economic conditions. In exchange for providing the investment advisory services, FedNat has agreed to pay Advisor an annual fee of \$100. FGI Funds Management, LLC will serve as the manager to the Advisor. Both Advisor and FGI Funds Management, LLC are affiliates of Fundamental Global Investors, LLC, the Company's largest stockholder. The term of the Investment Advisory Agreement is five years.

10. Net Earnings Per Share

Net earnings per share is computed by dividing net income by the weighted average number of common shares and common share equivalents outstanding during the periods presented. In calculating diluted earnings per share, those potential common shares that are found to be anti-dilutive are excluded from the calculation. The table below provides a summary of the numerators and denominators used in determining basic and diluted earnings per share for the years ended December 31, 2019 and 2018.

	Year Ended December 31,	
	2019	2018
Basic and diluted:		
Net income (in thousands)	\$ 311	\$ 804
Less: dividends declared on Series A Preferred Shares	(1,400)	(1,108)
Loss attributable to common shareholders	(1,089)	(304)
Weighted average common shares outstanding	6,018,542	5,989,742
Loss attributable to common shareholders	\$ (0.18)	\$ (0.05)
Net income (loss) from continuing operations	\$ 2,383	\$ (1,274)
Less: dividends declared on Series A Preferred Shares	(1,400)	(1,108)
Income (Loss) from continuing operations attributable to common shareholders	983	(2,382)
Weighted average common shares outstanding	6,018,542	5,989,742
Earnings (Loss) per common share from continuing operations	\$ 0.16	\$ (0.40)
Net income (loss) from discontinued operations, net of income taxes	\$ (2,072)	\$ 2,078
Weighted average common shares outstanding	6,018,542	5,989,742
Earnings (Loss) per common share from discontinued operations	\$ (0.34)	\$ 0.35

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The following potentially dilutive securities outstanding as of December 31, 2019 and 2018 have been excluded from the computation of diluted weighted-average shares outstanding as their effect would be anti-dilutive.

	As of December 31,	
	2019	2018
Options to purchase common stock	–	177,456
Warrants to purchase common stock	1,500,000	1,906,875
Restricted stock units	140,002	211,054
	<u>1,640,002</u>	<u>2,295,385</u>

11. Accumulated Other Comprehensive Loss

The table below details the change in the balance of each component of accumulated other comprehensive loss, net of tax, for the years ended December 31, 2019 and 2018.

	Year Ended December 31,	
	2019	2018
Unrealized gains (losses) on available-for-sale securities:		
Balance, January 1	\$ (729)	\$ (169)
Other comprehensive income (loss) before reclassifications	1,093	(496)
Amounts reclassified from accumulated other comprehensive income (loss)	695	(138)
Income tax (benefit) expense	(446)	107
Net current-period other comprehensive income (loss)	1,342	(527)
Reclassification of certain tax effects from accumulated other comprehensive loss	(104)	(33)
Unrealized gains realized upon sale of Maison Business, net of taxes	(509)	–
Balance, December 31	<u>\$ –</u>	<u>\$ (729)</u>

12. Fair Value of Financial Instruments

Fair value is best evidenced by quoted bid or ask price, as appropriate, in an active market. Where bid or ask prices are not available, such as in an illiquid or inactive market, the closing price of the most recent transaction of that instrument subject to appropriate adjustments as required is used. Where quoted market prices are not available, the quoted prices of similar financial instruments or valuation models with observable market-based inputs are used to estimate the fair value. These valuation models may use multiple observable market inputs, including observable interest rates, foreign exchange rates, index levels, credit spreads, equity prices, counterparty credit quality, corresponding market volatility levels and option volatilities. Minimal management judgment is required for fair values calculated using quoted market prices or observable market inputs for models. Greater subjectivity is required when making valuation adjustments for financial instruments in inactive markets or when using models where observable parameters do not exist. Also, the calculation of estimated fair value is based on market conditions at a specific point in time and may not be reflective of future fair values. For the Company's financial instruments carried at cost or amortized cost, the book value is not adjusted to reflect increases or decreases in fair value due to market fluctuations, including those due to interest rate changes, as it is the Company's intention to hold them until there is a recovery of fair value, which may be to maturity.

The Company classifies its investments in fixed income and equity securities as available-for-sale and reports these investments at fair value. Fair values of fixed income securities for which no active market exists are derived from quoted market prices of similar instruments or other third-party evidence.

The FASB has issued guidance that defines fair value as the exchange price that would be received for an asset (or paid to transfer a liability) in the principal, or most advantageous market in an orderly transaction between market participants. This guidance also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance categorizes assets and liabilities at fair value into one of three different levels depending on the observation of the inputs employed in the measurements, as follows:

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- Level 1 – inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets providing the most reliable measurement of fair value since it is directly observable.
- Level 2 – inputs to the valuation methodology which include quoted prices for similar assets or liabilities in active markets. These inputs are observable, either directly or indirectly, for substantially the full-term of the financial instrument.
- Level 3 – inputs to the valuation methodology which are unobservable and significant to the measurement of fair value.

Financial instruments measured at fair value as of December 31, 2019 and 2018 in accordance with this guidance are as follows.

As of December 31, 2019	Level 1	Level 2	Level 3	Total
Equity securities:				
Common stock	\$ 29,487	\$ –	\$ –	\$ 29,487
As of December 31, 2018				
Fixed income securities included in discontinued operations	-	76,310	-	76,310
Equity securities included in discontinued operations	3,263	-	-	3,263
Total fixed income and equity securities include in discontinued operations	\$ 3,263	\$ 76,310	\$ -	\$ 79,573

13. Commercial Line of Credit Facility

On April 23, 2018, the Company and MMI executed a Commercial Business Loan Agreement and related Promissory Note with Hancock Bank, a trade name for Whitney Bank (the “Lender”). The agreements provided for a revolving line of credit of \$5,000. The line of credit expired pursuant to its terms on April 19, 2019. The Company and MMI did not draw down funds under the Loan Agreement during the period it was outstanding.

On August 20, 2019, the Company entered into a \$7,000 Loan Agreement and a related Commercial Note (collectively, the “Loan Agreement”) with the Lender. The Loan Agreement provided for a non-revolving line of credit of \$7,000. Borrowings under the Loan Agreement bore interest at a rate per annum equal to 5.25%.

On November 29, 2019, the Company entered into an Amended and Restated Loan Agreement and a related Amended and Restated Commercial Note (collectively, the “Amended and Restated Loan Agreement”) with Lender, which increased the existing non-revolving line of credit by an additional \$10,000 (the “Line of Credit Increase”), resulting in an amended and restated non-revolving line of credit loan in the aggregate principal amount of up to \$17,000. Immediately prior to the closing of the Asset Sale, the Company drew \$7,000 under the line of credit, which was repaid to the Lender as of the closing of the Asset Sale. Upon repayment, the line of credit was terminated.

14. Retirement plans

The 1347 Property Insurance Holdings, Inc. 401(k) Plan (the “Retirement Plan”) was established effective January 1, 2015, as a defined contribution plan. The Retirement Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”); eligible employees of the Company and its subsidiaries may participate in the plan. Employees who have completed one month of service are eligible to participate and are permitted to make annual pre and post-tax salary reduction contributions not to exceed the limits imposed by the Internal Revenue Code of 1986, as amended. Contributions are invested at the direction of the employee participant in various money market and mutual funds. The Company matches contributions up to 100% of each participant’s contribution, limited to contributions up to 4% of a participant’s eligible earnings. The Company may also elect to make a profit-sharing contribution to the Retirement Plan based upon discretionary amounts and percentages authorized by the Company’s Board of Directors. For the years ended December 31, 2019 and 2018, the Company made matching contributions to the Retirement Plan in the amount of \$97 and \$128, respectively, but did not make any profit-sharing contributions to the Retirement Plan in either year.

15. Commitments and Contingencies

Legal Proceedings:

From time to time, we are involved in legal proceedings and litigation arising in the ordinary course of business. Currently, it is not possible to predict legal outcomes and their impact on the future development of claims. Any such development will be affected by future court decisions and interpretations. Because of these uncertainties, additional liabilities may arise for amounts in excess of the Company’s current reserves.

Operating Lease Commitments:

On November 21, 2019, the Company entered into a lease agreement for office space in St. Petersburg, FL. The lease commenced on December 1, 2019 for a term of six months as the Company assesses its need for future office space following the sale of the Maison Business. Total minimum rent over the six-month term is expected to be \$14.

Rent expense for the Company’s office leases is recognized on a straight-line basis over the term of the lease. Rent expense was \$443 and \$441 for

the years ended December 31, 2019 and 2018, respectively.

16. Subsequent Events

Coronavirus Impact

We continue to monitor the recent outbreak of the novel coronavirus (COVID-19) on our operations. Due to the recent outbreak of the coronavirus reported in many countries worldwide, local and federal governments have issued travel advisories, canceled large scale public events and closed schools. In addition, companies have begun to cancel conferences and travel plans and require employees to work from home. Global financial markets have also experienced extreme volatility and disruptions to capital and credit markets.

Adverse events such as health-related concerns about working in our offices, the inability to travel and other matters affecting the general work environment could harm our business and our business strategy. While we do not anticipate any material impact to our business operations as a result of the coronavirus, in the event of a major disruption caused by the outbreak of pandemic diseases such as coronavirus, we may lose the services of our employees or experience system interruptions, which could lead to diminishment of our business operations. Any of the foregoing could harm our business and delay the implementation of our business strategy and we cannot anticipate all the ways in which the current global health crisis and financial market conditions could adversely impact our business.

Management is actively monitoring the global situation on its financial condition, liquidity, operations, industry and workforce. Given the daily evolution of the coronavirus and the global responses to curb its spread, the Company is not able to estimate the effects of the coronavirus on its results of operations, financial condition or liquidity for fiscal year 2020.

Unrealized Holding Losses on Common Stock

As of March 26, 2020, the estimated fair value of the Company's 1,773,102 shares of FNHC common stock was \$20,320, representing an unrealized, pre-tax holding loss of \$5,180.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's management performed an evaluation under the supervision and with the participation of the Company's principal executive officer and principal financial officer of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as such term is defined in Rules 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of December 31, 2019. Based upon this evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this Annual Report on Form 10-K to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management's 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 Rule 13a-15(f) promulgated under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles;
- provide reasonable assurance that the Company's receipts and expenditures are made in accordance with proper authorizations from the Company's management and directors; and
- provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria set forth in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based upon this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2019.

This Annual Report on Form 10-K does not include a report of our independent registered public accounting firm regarding the effectiveness of our internal control over financial reporting. SEC's rules permit smaller reporting companies like ours to provide only management's report.

Changes in Internal Control Over Financial Reporting

Upon the sale of the Maison Business on December 2, 2019, virtually all of the Company's employees became employees of FedNat. This reduction to our staff included those employees involved in maintaining and implementing the Company's internal controls over financial reporting. As of December 31, 2019, the Company had two employees. As a result, various controls which the Company previously had in place, primarily related to segregation of duties, have been modified and compensating processes have been put into place to address the effect on our controls over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information required by this item is incorporated herein by reference to “Proposal 1 - Election of Directors,” “Information about Our Executive Officers,” “Delinquent Section 16(a) Reports,” “Code of Ethics,” and “Board Committees and Committee Member Independence” sections of the Proxy Statement for the Company’s 2020 Annual Meeting of Stockholders or Annual Report on Form 10-K/A for the fiscal year ended December 31, 2019 (“Form 10-K/A”), which we expect to file with the Securities and Exchange Commission no later than April 29, 2020. Any amendment to, or waiver from, a provision of the Code of Ethics that applies to our Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer, or Controller will be promptly disclosed on our website (www.1347pih.com) as required by the laws, rules and regulations of the Securities and Exchange Commission.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference to the “Compensation of Executive Officers” and “Director Compensation” sections of the Proxy Statement for the Company’s 2020 Annual Meeting of Stockholders or Form 10-K/A, which we expect to file with the Securities and Exchange Commission no later than April 29, 2020.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding our equity compensation plans is included below. All other information required by this item is incorporated herein by reference to the “Security Ownership of Certain Beneficial Owners & Directors & Executive Officers” section of the Proxy Statement for the Company’s 2020 Annual Meeting of Stockholders or Form 10-K/A, which we expect to file with the Securities and Exchange Commission no later than April 29, 2020.

The following table provides information as of December 31, 2019 with respect to the Company’s 2018 Equity Incentive Plan, under which the Company’s common stock is authorized for issuance, and the 2014 Amended and Restated Equity Incentive Plan.

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights⁽¹⁾</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))⁽²⁾</u>
	(a)	(b)	(c)
Equity compensation plans approved by security holders	140,002	\$ –	192,146
Equity compensation plans not approved by security holders	–	–	–
Total	140,002	\$ –	192,146

(1) Includes 39,200 common shares to be issued upon vesting of restricted stock units issued under our 2014 Equity Incentive Plan and 100,802 common shares to be issued upon vesting of restricted stock units issued under our 2018 Equity Incentive Plan.

(2) Represents shares available for future issuance under the 2018 Plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated herein by reference to the “Transactions with Related Persons” and “Board Meetings and Independence” sections of the Proxy Statement for the Company’s 2020 Annual Meeting of Stockholders or Form 10-K/A, which we expect to file with the Securities and Exchange Commission no later than April 29, 2020.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated herein by reference to the “Principal Accountant Fees and Services” section of the Proxy Statement for the Company’s 2020 Annual Meeting of Stockholders or Form 10-K/A, which we expect to file with the Securities and Exchange Commission no later than April 29, 2020.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

1. The following documents are filed as part of this report

1. Financial Statements – the following consolidated financial statements of the Company and the reports of independent audit thereon are filed with this report:

- i. Independent Auditor's Report
- ii. Consolidated Balance Sheets as of December 31, 2019 and 2018
- iii. Consolidated Statements of Income and Comprehensive Income for the Years Ended December 31, 2019 and 2018
- iv. Consolidated Statements of Shareholders' Equity for the Years ended December 31, 2019 and 2018
- v. Consolidated Statements of Cash Flows for the Years ended December 31, 2019 and 2018
- vi. Notes to the Consolidated Financial Statements for the Years ended December 31, 2019 and 2018

2. Exhibits - the exhibits listed below are filed or incorporated by reference as part of this Form 10-K.

2.1*** [Equity Purchase Agreement, dated February 25, 2019, by and among FedNat Holding Company, 1347 Property Insurance Holdings, Inc., Maison Managers, Inc., Maison Insurance Company, and ClaimCor, LLC \(incorporated by reference to Exhibit 2.1 of Registrant's Current Report on Form 8-K filed with the Commission on February 25, 2019\).](#)

3.1 [Third Amended and Restated Certificate of Incorporation \(incorporated by reference to Exhibit 3.2 of Registrant's Registration Statement on Form S-1/A filed with the Commission on January 30, 2014\).](#)

3.2 [Certificate of Amendment of Third Amended and Restated Certificate of Incorporation, effective December 17, 2019 \(incorporated by reference to Exhibit 3.1 of Registrant's Current Report on Form 8-K filed with the Commission on December 17, 2019\).](#)

3.3 [Third Amended and Restated By-Laws of 1347 Property Insurance Holdings, Inc.](#)

3.4 [Certificate of Designations of Cumulative Preferred Stock, Series A, of 1347 Property Insurance Holdings, Inc. \(incorporated by reference to Exhibit 3.1 of Registrant's Current Report on Form 8-K filed with the Commission on February 26, 2018\).](#)

4.1 [Form of Common Stock Certificate \(incorporated by reference to Exhibit 4.1 of Registrant's Registration Statement on Form S-1/A filed with the Commission on January 30, 2014\).](#)

4.2 [Warrant to Purchase Shares of Common Stock \(incorporated by reference to Exhibit 4.2 of Registrant's Current Report on Form 8-K filed with the Commission on February 27, 2015\).](#)

4.3 [Form of Global Certificate of Cumulative Preferred Stock, Series A \(incorporated by reference to Exhibit 4.4 of Registrant's Registration Statement on Form S-1/A filed with the Commission on February 5, 2018\).](#)

4.4 [Description of the Securities of 1347 Property Insurance Holdings, Inc. Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.](#)

10.1 [Trademark License Agreement, dated February 28, 2014, between 1347 Advisors LLC and 1347 Property Insurance Holdings, Inc. \(incorporated by reference to Exhibit 10.6 of Registrant's Registration Statement on Form S-1 filed with the Commission on May 20, 2014\).](#)

10.2† [1347 Property Insurance Holdings, Inc. Amended and Restated 2014 Equity Incentive Plan \(incorporated by reference to Appendix A of Registrant's Definitive Proxy Statement on Schedule 14A filed with the Commission on April 30, 2015\).](#)

10.3† [1347 Property Insurance Holdings, Inc. 2018 Equity Incentive Plan \(incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed with the Commission on June 1, 2018\).](#)

- 10.4 [Indemnification Agreement \(incorporated by reference to Exhibit 10.6 of Registrant's Registration Statement on Form S-1/A filed with the Commission on January 30, 2014\).](#)
- 10.5 [Registration Rights Agreement, dated February 28, 2014, by and between Kingsway America, Inc. and 1347 Property Insurance Holdings, Inc. \(incorporated by reference to Exhibit 10.10 of Registrant's Registration Statement on Form S-1 filed with the Commission on May 20, 2014\).](#)
- 10.6 [Performance Share Grant Agreement, dated March 26, 2014, by and between Kingsway America, Inc. and 1347 Property Insurance Holdings, Inc. \(incorporated by reference to Exhibit 10.12 of Registrant's Registration Statement on Form S-1/A filed with the Commission on March 27, 2014\).](#)
- 10.7 [Termination Agreement, dated July 24, 2018, by and between 1347 Property Insurance Holdings, Inc. and Kingsway America Inc. \(incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed with the Commission on July 25, 2018\).](#)
- 10.8 [Agreement to Buyout and Release dated February 24, 2015 \(incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed with the Commission on February 27, 2015\).](#)
- 10.9 [Performance Shares Grant Agreement dated February 24, 2015 \(incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed with the Commission on February 27, 2015\).](#)
- 10.10 [Termination Agreement, dated as of January 2, 2018, by and among 1347 Advisors LLC and 1347 Property Insurance Holdings, Inc. \(incorporated by reference to Exhibit 10.16 of Registrant's Annual Report on Form 10-K filed with the Commission on March 26, 2018\).](#)
- 10.11† [Form of Stock Option Agreement under the 1347 Property Insurance Holdings, Inc. 2018 Equity Incentive Plan \(incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed with the Commission on June 1, 2018\).](#)
- 10.12† [Form of Restricted Stock Unit Agreement Issued to the Executive Officers under the 1347 Property Insurance Holdings, Inc. 2014 Equity Incentive Plan \(incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed with the Commission on June 2, 2015\).](#)
- 10.13† [Form of Restricted Share Agreement under the 1347 Property Insurance Holdings, Inc. 2018 Equity Incentive Plan \(incorporated by reference to Exhibit 10.3 of Registrant's Current Report on Form 8-K filed with the Commission on June 1, 2018\).](#)
- 10.14† [Form of Restricted Share Unit Agreement under the 1347 Property Insurance Holdings, Inc. 2018 Equity Incentive Plan \(incorporated by reference to Exhibit 10.4 of Registrant's Current Report on Form 8-K filed with the Commission on June 1, 2018\).](#)
- 10.15† [Form of Non-Employee Director Restricted Share Unit Agreement under the 1347 Property Insurance Holdings, Inc. 2018 Equity Incentive Plan \(last updated August 2018\) \(incorporated by reference to Exhibit 10.3 of Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 13, 2018\).](#)
- 10.16† [Form of Executive Restricted Stock Unit Award Agreement under the Share-Matching Program \(incorporated by reference to Exhibit 10.1 of Registrant's Current on Report on Form 8-K filed with the Commission on December 19, 2017\).](#)
- 10.17† [Form of Non-Employee Director Restricted Stock Unit Award Agreement under the Share-Matching Program \(incorporated by reference to Exhibit 10.2 of Registrant's Current on Report on Form 8-K filed with the Commission on December 19, 2017\).](#)
- 10.18† [Form of Executive Stock Grant Agreement under the 1347 Property Insurance Holdings, Inc. 2018 Equity Incentive Plan \(last updated August 2018\) \(incorporated by reference to Exhibit 10.1 of Registrant's Current on Report on Form 8-K filed with the Commission on August 28, 2018\).](#)

- 10.19† [Form of Executive Restricted Share Unit Agreement for Share-Matching Grants under the 1347 Property Insurance Holdings, Inc. 2018 Equity Incentive Plan \(last updated August 2018\) \(incorporated by reference to Exhibit 10.2 of Registrant's Current on Report on Form 8-K filed with the Commission on August 28, 2018\).](#)
- 10.20 [Stock Purchase Agreement, dated January 2, 2018, by and among 1347 Advisors LLC, IWS Acquisition Corporation and 1347 Property Insurance Holdings, Inc. \(incorporated by reference to Exhibit 10.22 of Registrant's Registration Statement on Form S-1 filed with the Commission on January 8, 2018\).](#)
- 10.21 [Subscription Agreement, dated May 30, 2018, by and between Maison Insurance Company and FGI Metrolina Property Income Fund, LP. \(incorporated by reference to Exhibit 10.9 of Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 14, 2018\).](#)
- 10.22 [Registration Rights Agreement, dated December 2, 2019, by and between FedNat Holding Company and 1347 Property Insurance Holdings, Inc. \(incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed with the Commission on December 2, 2019\).](#)
- 10.23 [Standstill Agreement, dated December 2, 2019, by and between FedNat Holding Company and 1347 Property Insurance Holdings, Inc. \(incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed with the Commission on December 2, 2019\).](#)
- 10.24 [Reinsurance Capacity Right of First Refusal Agreement, dated December 2, 2019, by and between FedNat Holding Company and 1347 Property Insurance Holdings, Inc. \(incorporated by reference to Exhibit 10.3 of Registrant's Current Report on Form 8-K filed with the Commission on December 2, 2019\).](#)
- 10.25 [Investment Advisory Agreement, dated December 2, 2019, by and between Fundamental Global Advisors LLC and FedNat Holding Company \(incorporated by reference to Exhibit 10.4 of Registrant's Current Report on Form 8-K filed with the Commission on December 2, 2019\).](#)
- 10.26 [Transition Services Agreement, dated December 2, 2019, by and between Fundamental Global Advisors LLC and FedNat Holding Company \(incorporated by reference to Exhibit 10.5 of Registrant's Current Report on Form 8-K filed with the Commission on December 2, 2019\).](#)
- 10.27† [Agreement Regarding Resignation and Acceleration of Equity Awards, dated December 2, 2019, by and between 1347 Property Insurance Holdings, Inc. and Douglas N. Raucy \(incorporated by reference to Exhibit 10.6 of Registrant's Current Report on Form 8-K filed with the Commission on December 2, 2019\).](#)
- 10.28† [Agreement Regarding Resignation and Acceleration of Equity Awards, dated December 2, 2019, by and between 1347 Property Insurance Holdings, Inc. and Dean E. Stroud \(incorporated by reference to Exhibit 10.7 of Registrant's Current Report on Form 8-K filed with the Commission on December 2, 2019\).](#)
- 10.29† [Employment Agreement, dated December 2, 2019, by and between John S. Hill and 1347 Property Insurance Holdings, Inc \(incorporated by reference to Exhibit 10.8 of Registrant's Current Report on Form 8-K filed with the Commission on December 2, 2019\).](#)
- 10.30† [Employment Agreement, dated December 2, 2019, by and between Brian D. Bottjer and 1347 Property Insurance Holdings, Inc \(incorporated by reference to Exhibit 10.9 of Registrant's Current Report on Form 8-K filed with the Commission on December 2, 2019\).](#)
- 21.1* [Subsidiaries of 1347 Property Insurance Holdings, Inc.](#)
- 23.1* [Consent of Independent Registered Public Accounting Firm.](#)
- 24.1* [Power of Attorney \(included on signature page\).](#)

- 31.1* [Certification of Principal Executive Officer pursuant to Rule 13a-14\(a\) of the Exchange Act.](#)
- 31.2* [Certification of Principal Financial Officer pursuant to Rule 13a-14\(a\) of the Exchange Act.](#)
- 32.1** [Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2** [Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101.INS* XBRL Instance Document.
- 101.SCH* XBRL Taxonomy Extension Schema.
- 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.

* Filed herewith.

** Furnished herewith.

*** Certain schedules and exhibits to this agreement have been omitted in accordance with Item 601(a)(5) of Regulation S-K. A copy of any omitted schedules and/or exhibits will be furnished to the Commission upon request.

†Denotes management contracts or compensatory plans or arrangements

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

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

1347 PROPERTY INSURANCE HOLDINGS, INC.

Date: March 30, 2020

By: /s/ D. Kyle Cerminara

Name: D. Kyle Cerminara

Title: Principal Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints John S. Hill, the true and lawful attorney-in-fact and agent of the undersigned, with full power of substitution and resubstitution, for and in the name, place and stead of the undersigned, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully as to all intents and purposes as each of the undersigned might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitutes, may lawfully do or cause to be done by virtue hereof.

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>/s/ D. Kyle Cerminara</u> D. Kyle Cerminara	Principal Executive Officer, Director, and Chairman of the Board	March 30, 2020
<u>/s/ John S. Hill</u> John S. Hill	Executive Vice President, Secretary, and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 30, 2020
<u>/s/ Lewis M. Johnson</u> Lewis M. Johnson	Director, Co-Chairman of the Board	March 30, 2020
<u>/s/ Rita Hayes</u> Rita Hayes	Director	March 30, 2020
<u>/s/ Marsha G. King</u> Marsha G. King	Director	March 30, 2020
<u>/s/ E. Gray Payne</u> E. Gray Payne	Director	March 30, 2020
<u>/s/ Larry G. Swets, Jr.</u> Larry G. Swets, Jr.	Director	March 30, 2020
<u>/s/ Scott D. Wollney</u> Scott D. Wollney	Director	March 30, 2020
<u>/s/ Dennis A. Wong</u> Dennis A. Wong	Director	March 30, 2020

[\(Back To Top\)](#)

Section 2: EX-3.3

Exhibit 3.3

ARTICLE I

STOCKHOLDERS

SECTION 1. ANNUAL MEETING. The annual meeting of stockholders (any such meeting being referred to in these By-laws as an “Annual Meeting”) shall be held at the hour, date and place within or without the United States which is fixed by the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President, which time, date and place may subsequently be changed at any time by vote of the Board of Directors. If no Annual Meeting has been held for a period of thirteen months after the Corporation’s last Annual Meeting, a special meeting in lieu thereof may be held, and such special meeting shall have, for the purposes of these By-laws or otherwise, all the force and effect of an Annual Meeting. Any and all references hereafter in these By-laws to an Annual Meeting or Annual Meetings also shall be deemed to refer to any special meeting(s) in lieu thereof. The Board of Directors may postpone, reschedule or cancel any previously scheduled Annual Meeting.

SECTION 2. SPECIAL MEETINGS. Except as otherwise required by statute and subject to the rights, if any, of the holders of any series of Preferred Stock (as defined in the Certificate), special meetings of the stockholders of the Corporation shall be called (i) by the Board of Directors acting pursuant to a resolution approved by the affirmative vote of a majority of the Directors then in office, or (ii) by the Chief Executive Officer, the President or the Secretary at the written request of any person or persons holding of record not less than fifty percent (50%) of the total number of shares of stock of the Corporation entitled to vote on any issue contemplated to be considered at such proposed special meeting, which written request shall state with specificity the purpose or purposes of such meeting. Only those matters set forth in the notice of the special meeting may be considered or acted upon at a special meeting of stockholders of the Corporation. The Board of Directors may postpone, reschedule or cancel any previously scheduled special meeting of stockholders.

SECTION 3. NOTICE OF MEETINGS; ADJOURNMENTS. Except as otherwise provided by law, notice of each meeting, whether annual or special, shall be given not less than 10 days nor more than 60 days before the meeting, to each stockholder entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting. Without limiting the manner by which notice otherwise may be given to stockholders, any notice shall be effective if given by a form of electronic transmission consented to (in a manner consistent with the General Corporation Law of the State of Delaware (the “DGCL”)) by the stockholder to whom the notice is given. The notices of all meetings shall state the place, if any, date and time of the meeting, the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, and the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for stockholders entitled to notice of the meeting). The notice of a special meeting shall state, in addition, the purpose or purposes for which the meeting is called. If notice is given by mail, such notice shall be deemed given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder’s address as it appears on the records of the Corporation. If notice is given by electronic transmission, such notice shall be deemed given at the time specified in Section 232 of the DGCL.

Notice of an Annual Meeting or special meeting of stockholders need not be given to a stockholder if a written waiver of notice is signed before or after such meeting by such stockholder or if such stockholder attends such meeting, unless such attendance was for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting was not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any Annual Meeting or special meeting of stockholders need be specified in any written waiver of notice.

The Board of Directors may postpone and reschedule any previously scheduled Annual Meeting or special meeting of stockholders and any record date with respect thereto, regardless of whether any notice or public announcement with respect to any such meeting has been sent or made pursuant to Section 4 of this Article I of these By-laws or otherwise. In no event shall the public announcement of an adjournment, postponement or rescheduling of any previously scheduled meeting of stockholders commence a new time period for the giving of a stockholder's notice under Section 4 of this Article I of these By-laws.

When any meeting is convened, the presiding officer may adjourn the meeting if (a) no quorum is present for the transaction of business, (b) the Board of Directors determines that adjournment is necessary or appropriate to enable the stockholders to consider fully information which the Board of Directors determines has not been made sufficiently or timely available to stockholders, or (c) the Board of Directors determines that adjournment is otherwise in the best interests of the Corporation. When any Annual Meeting or special meeting of stockholders is adjourned to another hour, date or place, notice need not be given of the adjourned meeting other than an announcement at the meeting at which the adjournment is taken of the hour, date and place to which the meeting is adjourned; provided, however, that if the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote thereat and each stockholder who, by law or under the Certificate or these By-laws, is entitled to such notice.

SECTION 4. NOTICE OF STOCKHOLDER BUSINESS.

(a) ANNUAL MEETING.

(1) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of any other business to be considered by the stockholders may be made at an Annual Meeting (a) pursuant to the Corporation's notice of meeting, (b) by or at the direction of the Board of Directors or (c) by any stockholder of the Corporation who was a stockholder of record at the time of giving of notice provided for in this Section 4 of this Article I of these By-laws, who is entitled to vote at the meeting, who is present (in person or by proxy) at the meeting and who complies with the notice procedures set forth in this Section 4 of this Article I of these By-laws. In addition to the other requirements set forth in these By-laws, for any proposal of business to be considered at an Annual Meeting, it must be a proper subject for action by stockholders of the Corporation under the DGCL.

(2) For nominations or other business to be properly brought before an Annual Meeting by a stockholder pursuant to clause (c) of paragraph (a)(1) of this Section 4 of this Article I of these By-laws, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's Annual Meeting; provided, however, that in the event that the date of the Annual Meeting is advanced by more than 30 days before or delayed by more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such Annual Meeting and not later than the close of business on the later of the 90th day prior to such Annual Meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. Notwithstanding anything to the contrary provided herein, for the first Annual Meeting following the initial public offering of common stock of the Corporation, a stockholder's notice shall be timely if delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the later of the 90th day prior to the scheduled date of such Annual Meeting or the 10th day following the day on which public announcement of the date of such Annual Meeting is first made or sent by the Corporation. Such stockholder's notice shall set forth:

(a) (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director, (A) such person's name, age, business address and, if known, residence address, (B) such person's principal occupation or employment, (C) the class and series and number of shares of stock of the Corporation that are, directly or indirectly, owned, beneficially or of record, by such person, (D) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among the stockholder, the beneficial owner, if any, on whose behalf the nomination is being made and the respective affiliates and associates of, or others acting in concert with, such stockholder and such beneficial owner, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert with such nominee(s), on the other hand, including all information that would be required to be disclosed pursuant to Item 404 of Regulation S-K if the stockholder making the nomination and any beneficial owner on whose behalf the nomination is made or any affiliate or associate thereof or person acting in concert therewith were the "registrant" for purposes of such Item and the proposed nominee were a director or executive officer of such registrant, and (E) any other information concerning such person that is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected), and (ii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made, (A) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (B) the class and series and number of shares of stock of the Corporation that are, directly or indirectly, owned, beneficially or of record, by such stockholder and such beneficial owner, (C) a description of any agreement, arrangement or understanding between or among such stockholder and/or such beneficial owner and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are being made or who may participate in the solicitation of proxies in favor of electing such nominee(s), (D) a description of any agreement, arrangement or understanding (including any derivative or short positions, swaps, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into by, or on behalf of, such stockholder or such beneficial owner, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder or such beneficial owner with respect to shares of stock of the Corporation, (E) any other information relating to such stockholder and such beneficial owner that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder, (F) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the person(s) named in its notice and (G) a representation whether such stockholder and/or such beneficial owner intends or is part of a group which intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock reasonably believed by such stockholder or such beneficial owner to be sufficient to elect the nominee (and such representation shall be included in any such proxy statement and form of proxy) and/or (y) otherwise to solicit proxies or votes from stockholders in support of such nomination (and such representation shall be included in any such solicitation materials).

Not later than 10 days after the record date for determining stockholders entitled to notice of the meeting, the information required by Items (a)(i)(A)-(E) and (ii)(A)-(E) of the preceding paragraph shall be supplemented by the stockholder giving the notice to provide updated information as of such record date. The Corporation may require any proposed nominee to furnish such other information as the Corporation may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation or whether such nominee would be independent under applicable Securities and Exchange Commission and applicable stock exchange rules and the Corporation's publicly disclosed corporate governance guidelines. A stockholder shall not have complied with this Section 4(a)(2)(a) of this Article I of these By-laws if the stockholder (or beneficial owner, if any, on whose behalf the nomination is made) solicits or does not solicit, as the case may be, proxies or votes in support of such stockholder's nominee in contravention of the representations with respect thereto required by this Section 4 of this Article I of these By-laws.

(b) (i) As to any other business that the stockholder proposes to bring before the meeting, (A) a brief description of the business desired to be brought before the meeting, (B) the text of the proposal (including the exact text of any resolutions proposed for consideration and, in the event that such business includes a proposal to amend these By-laws, the exact text of the proposed amendment), (C) the reasons for conducting such business at the meeting, and (D) any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made, and the names and addresses of other stockholders known by the stockholder proposing such business to support such proposal, and the class and series and number of shares of stock of the Corporation that are, directly or indirectly, owned, beneficially or of record, by such other stockholders; and (ii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is made (A) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (B) the class and series and number of shares of stock of the Corporation that are, directly or indirectly, owned, beneficially or of record, by such stockholder and such beneficial owner, (C) description of any material interest of such stockholder or such beneficial owner and the respective affiliates and associates of, or others acting in concert with, such stockholder or such beneficial owner in such business, (D) a description of any agreement, arrangement or understanding between or among such stockholder and/or such beneficial owner and any other person or persons (including their names) in connection with the proposal of such business or who may participate in the solicitation of proxies in favor of such proposal, (E) a description of any agreement, arrangement or understanding (including any derivative or short positions, swaps, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into by, or on behalf of, such stockholder or such beneficial owner, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder or such beneficial owner with respect to shares of stock of the Corporation, (F) any other information relating to such stockholder and such beneficial owner that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the business proposed pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder, (G) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting and (H) a representation whether such stockholder and/or such beneficial owner intends or is part of a group which intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal (and such representation shall be included in any such proxy statement and form of proxy) and/or (y) otherwise to solicit proxies or votes from stockholders in support of such proposal (and such representation shall be included in any such solicitation materials).

Not later than 10 days after the record date for determining stockholders entitled to notice of the meeting, the information required by Items (b)(i)(C)-(D) and (b)(ii)(A)-(F) of the preceding paragraph shall be supplemented by the stockholder giving the notice to provide updated information as of such record date. A stockholder shall not have complied with this Section 4(a)(2)(b) of this Article I of these By-laws if the stockholder (or beneficial owner, if any, on whose behalf the proposal is made) solicits or does not solicit, as the case may be, proxies or votes in support of such stockholder's proposal in contravention of the representations with respect thereto required by this Section 4 of this Article I of these By-laws.

(3) Notwithstanding anything in the second sentence of paragraph (a)(2) of this Section 4 of this Article I of these By-laws to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Corporation at least 85 days prior to the first anniversary of the preceding year's Annual Meeting, a stockholder's notice required by this Section 4 of this Article I of these By-laws shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

(b) GENERAL.

(1) Only such persons who are nominated at an Annual Meeting in accordance with the provisions of this Section 4 of this Article I of these By-laws shall be eligible for election and to serve as directors and only such business shall be conducted at an Annual Meeting as shall have been brought before the meeting in accordance with the provisions of this Section 4 of this Article I of these By-laws. The Board of Directors or a designated committee thereof shall have the power to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the provisions of this Section 4 of this Article I of these By-laws. If neither the Board of Directors nor such designated committee makes a determination as to whether any stockholder proposal or nomination was made in accordance with the provisions of this Section 4 of this Article I of these By-laws, the presiding officer of the Annual Meeting shall have the power and duty to determine whether the stockholder proposal or nomination was made in accordance with the provisions of this Section 4 of this Article I of these By-laws. If the Board of Directors or a designated committee thereof or the presiding officer, as applicable, determines that any stockholder proposal or nomination was not made in accordance with the provisions of this Section 4 of this Article I of these By-laws, such proposal or nomination shall be disregarded and shall not be presented for action at the Annual Meeting.

(2) For purposes of this Section 4 of this Article I of these By-laws, "public announcement" shall include disclosure in a press release reported by the Dow Jones News Service, Associated Press, PR Newswire, Businesswire or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 4 of this Article I of these By-laws, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 4 of this Article I of these By-laws. Nothing in this Section 4 of this Article I of these By-laws shall be deemed to affect any rights of (i) stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act, or (ii) the holders of any series of Preferred Stock to elect directors under specified circumstances.

SECTION 6. QUORUM. A majority of the shares entitled to vote, present in person or represented by proxy, shall constitute a quorum at any meeting of stockholders, unless or except to the extent that the presence of a larger number may be required by these By-laws, the Certificate or by applicable law. Broker non-votes and abstentions are considered as present for purposes of establishing a quorum but shall not be considered as votes cast for or against a proposal or director nominee. If less than a quorum is present at a meeting, the holders of voting stock representing a majority of the voting power present at the meeting or the presiding officer may adjourn the meeting from time to time, and the meeting may be held as adjourned without further notice, except as provided in Section 3 of this Article I of these By-laws. At such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally noticed. The stockholders present at a duly constituted meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

SECTION 7. VOTING AND PROXIES. Stockholders shall have one vote for each share of stock entitled to vote owned by them of record according to the stock ledger of the Corporation, unless otherwise provided by law or by the Certificate. Stockholders may vote either (i) in person, (ii) by written proxy or (iii) by a transmission permitted by Section 212(c) of the DGCL, filed in accordance with the procedure established for the meeting. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission permitted by Section 212(c) of the DGCL may be substituted for or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used; provided, that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission. Proxies shall be filed in accordance with the procedures established for the meeting of stockholders. Except as otherwise limited therein or as otherwise provided by law, proxies authorizing a person to vote at a specific meeting shall entitle the persons authorized thereby to vote at any adjournment of such meeting, but they shall not be valid after final adjournment of such meeting. A proxy with respect to stock held in the name of two or more persons shall be valid if executed by or on behalf of any one of them unless at or prior to the exercise of the proxy the Corporation receives a specific written notice to the contrary from any one of them.

SECTION 8. NO ACTION BY WRITTEN CONSENT. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called Annual Meeting or a special meeting of such holders and, except as expressly provided for in the Certificate, may not be effected by any consent in writing by such stockholders.

SECTION 9. ACTION AT MEETING. When a quorum is present at any meeting of stockholders, any matter before any such meeting (other than an election of a director or directors) shall be decided by a majority of the votes properly cast for and against such matter, except where a larger vote is required by law, by the Certificate or by these By-laws. Any election of directors by stockholders shall be determined by a plurality of the votes properly cast on the election of directors. Abstentions and broker non-votes shall not be counted as votes cast. A direction to “withhold authority” with respect to a nominee shall be treated as a vote cast against the election of such nominee. The Corporation shall not directly or indirectly vote any shares of its own stock; provided, however, that the Corporation or any Subsidiary (as defined in Article V of these By-laws) of the Corporation may vote shares which it holds in a fiduciary capacity to the extent permitted by law.

SECTION 10. STOCKHOLDER LISTS. The Secretary or an Assistant Secretary (or the Corporation’s transfer agent or other person authorized by these By-laws or by law) shall prepare and make, at least 10 days before every Annual Meeting or special meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the hour, date and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

SECTION 11. PRESIDING OFFICER. The Chairman of the Board, if one is elected, or if not elected or in his or her absence, the President, shall preside at all Annual Meetings or special meetings of stockholders and shall have the power, among other things, to adjourn such meeting at any time and from time to time, subject to Sections 3 and 6 of this Article I of these By-laws. The Board of Directors shall be entitled to make such rules or regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the presiding officer of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such presiding officer, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to stockholders of record of the Corporation and their duly authorized and constituted proxies and such other persons as the presiding officer shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants and regulation of the opening and closing of the polls for balloting on matters that are to be voted on by ballot. Unless and to the extent determined by the Board of Directors or the presiding officer of the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

SECTION 12. INSPECTORS OF ELECTIONS. The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the presiding officer shall appoint one or more inspectors to act at the meeting. Any inspector may, but need not, be an officer, employee or agent of the Corporation. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall perform such duties as are required by the DGCL, including the counting of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors. The presiding officer may review all determinations made by the inspectors, and in so doing the presiding officer shall be entitled to exercise his or her sole judgment and discretion and he or she shall not be bound by any determinations made by the inspectors. All determinations by the inspectors and, if applicable, the presiding officer, shall be subject to further review by any court of competent jurisdiction.

ARTICLE II

DIRECTORS

SECTION 1. POWERS. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors except as otherwise provided by the Certificate or required by law.

SECTION 2. NUMBER AND TERMS. Subject to all the rights, powers and preferences of any series of Preferred Stock, the number of directors of the Corporation shall be fixed solely and exclusively by resolution duly adopted from time to time by the Board of Directors. The successors of the directors whose terms expire at the 2019 annual meeting of stockholders shall serve a term of office to expire at the 2020 annual meeting of stockholders. At the 2020 annual meeting of stockholders, the successors of the directors whose terms expire at that meeting shall serve a term of office to expire at the 2021 annual meeting of stockholders. At the 2021 annual meeting of stockholders, and at each annual meeting of stockholders thereafter, the successors of the directors whose terms expire at each such meeting shall serve a term of office expiring at the annual meeting of stockholders next following their election. Notwithstanding the foregoing, the directors elected shall hold office until their successors are duly elected and qualified or until their earlier resignation or removal. Directors shall (except as hereinafter provided for the filling of vacancies and newly created directorships) be elected by the holders of a plurality of the votes cast by the holders of shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors.

Notwithstanding the foregoing, whenever, pursuant to the provisions of Article IV of the Certificate, the holders of any one or more series of Preferred Stock shall have the right, voting separately as a series or together with holders of other such series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Certificate and any certificate of designations applicable thereto.

SECTION 3. QUALIFICATION. No director need be a stockholder of the Corporation.

SECTION 4. VACANCIES. Subject to the rights of the holders of any one or more series of Preferred Stock then outstanding, any and all vacancies in the Board of Directors, however occurring, including, without limitation, newly-created directorships by reason of an increase in the size of the Board of Directors, or the death, resignation, disqualification or removal of a director, shall, unless otherwise required by law or by resolution of the Board of Directors, be filled only by a majority vote of the remaining directors then in office, even if less than a quorum (and not by stockholders), and directors so chosen shall serve for a term expiring at the annual meeting of stockholders at which their term of office expires or until such directors' successors shall have been duly elected and qualified. No decrease in the authorized number of directors shall shorten the term of any incumbent director. In the event of a vacancy in the Board of Directors, the remaining directors then in office, except as otherwise provided by law, shall exercise the powers of the full Board of Directors until the vacancy is filled.

SECTION 5. REMOVAL. Subject to the rights of the holders of any one or more series of Preferred Stock then outstanding, any director or the entire Board of Directors may be removed from office at any time, with or without cause, by the affirmative vote of the holders of shares representing at least a majority of the voting power of the outstanding shares then entitled to vote for the election of directors.

SECTION 6. RESIGNATION. A director may resign at any time by giving written notice to the Chairman of the Board, if one is elected, the President or the Secretary. A resignation shall be effective upon receipt, unless the resignation otherwise provides.

SECTION 7. REGULAR MEETINGS. The regular annual meeting of the Board of Directors shall be held, without notice other than this Section 7 of this Article II of these By-laws, on the same date and at the same place as the Annual Meeting following the close of such meeting of stockholders. Other regular meetings of the Board of Directors may be held at such hour, date and place as the Board of Directors may by resolution from time to time determine and publicize by means of reasonable notice given to any director who is not present at the meeting at which such resolution is adopted.

SECTION 8. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called, orally or in writing, by or at the request of a majority of the directors, the Chairman of the Board, if one is elected, or the President. The person calling any such special meeting of the Board of Directors may fix the hour, date and place thereof.

SECTION 9. NOTICE OF MEETINGS. Notice of the hour, date and place of all special meetings of the Board of Directors shall be given to each director by the Secretary or an Assistant Secretary, or in case of the death, absence, incapacity or refusal of such persons, by the Chairman of the Board, if one is elected, or the President or such other officer designated by the Chairman of the Board, if one is elected, or the President. Notice of any special meeting of the Board of Directors shall be given to each director in person, by telephone, or by facsimile, electronic mail or other form of electronic communication, sent to his or her business or home address, at least 24 hours in advance of the meeting, or by written notice mailed to his or her business or home address, at least 48 hours in advance of the meeting. Such notice shall be deemed to be delivered when hand delivered to such address, read to such director by telephone, deposited in the mail so addressed, with postage thereon prepaid if mailed, dispatched or transmitted if faxed, telexed or telecopied, or when delivered to the telegraph company if sent by telegram.

A written waiver of notice signed before or after a meeting by a director and filed with the records of the meeting shall be deemed to be equivalent to notice of the meeting. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because such meeting is not lawfully called or convened. Except as otherwise required by law, by the Certificate or by these By-laws, neither the business to be transacted at, nor the purpose of, any meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

SECTION 10. QUORUM. At any meeting of the Board of Directors, a majority of the total number of directors shall constitute a quorum for the transaction of business, but if less than a quorum is present at a meeting, a majority of the directors present may adjourn the meeting from time to time, and the meeting may be held as adjourned without further notice, except as provided in Section 9 of this Article II. Any business which might have been transacted at the meeting as originally noticed may be transacted at such adjourned meeting at which a quorum is present. For purposes of this section, the total number of directors includes any unfilled vacancies on the Board of Directors.

SECTION 11. ACTION AT MEETING. At any meeting of the Board of Directors at which a quorum is present, the vote of a majority of the directors present shall constitute action by the Board of Directors, unless otherwise required by law, by the Certificate or by these By-laws.

SECTION 12. ACTION BY CONSENT. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if all members of the Board of Directors consent thereto in writing. Such written consent shall be filed with the records of the meetings of the Board of Directors and shall be treated for all purposes as a vote at a meeting of the Board of Directors.

SECTION 13. MANNER OF PARTICIPATION. Directors may participate in meetings of the Board of Directors by means of conference telephone or similar communications equipment by means of which all directors participating in the meeting can hear each other, and participation in a meeting in accordance herewith shall constitute presence in person at such meeting for purposes of these By-laws.

SECTION 14. COMMITTEES. The Board of Directors, by vote of a majority of the directors then in office, may elect from its number one or more committees and may delegate thereto some or all of its powers except those which by law, by the Certificate or by these By-laws may not be delegated. Except as the Board of Directors may otherwise determine, the majority of members of any such committee may make rules for the conduct of its business, but unless otherwise provided by the Board of Directors or in such rules, its business shall be conducted so far as possible in the same manner as is provided by these By-laws for the Board of Directors. All members of such committees shall hold such offices at the pleasure of the Board of Directors. The Board of Directors may abolish any such committee at any time. Any committee to which the Board of Directors delegates any of its powers or duties shall keep minutes of its meetings and shall report its action to the Board of Directors.

SECTION 15. COMPENSATION OF DIRECTORS. Directors shall receive such compensation for their services as shall be determined by a majority of the Board of Directors, or a designated committee thereof. Nothing contained in these By-laws shall be construed to preclude any director from serving the Corporation in any other capacity and from receiving compensation from the Corporation for service rendered to the Corporation in such other capacity.

ARTICLE III

OFFICERS

SECTION 1. ENUMERATION. The officers of the Corporation shall consist of a President, a Treasurer, a Secretary and such other officers, including, without limitation, a Chairman of the Board of Directors, a Chief Executive Officer and one or more Vice Presidents (including Executive Vice Presidents or Senior Vice Presidents), Assistant Vice Presidents, Assistant Treasurers and Assistant Secretaries, as the Board of Directors may determine.

SECTION 2. ELECTION. At the regular annual meeting of the Board of Directors following the Annual Meeting, the Board of Directors shall elect the President, the Treasurer and the Secretary. Other officers may be elected by the Board of Directors at such regular annual meeting of the Board of Directors or at any other regular or special meeting.

SECTION 3. QUALIFICATION. No officer need be a stockholder or a director. Any person may occupy more than one office of the Corporation at any time. Any officer may be required by the Board of Directors to give bond for the faithful performance of his or her duties in such amount and with such sureties as the Board of Directors may determine.

SECTION 4. TENURE. Except as otherwise provided by the Certificate or by these By-laws, each of the officers of the Corporation shall hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal.

SECTION 5. RESIGNATION. Any officer may resign by delivering his or her written resignation to the Corporation addressed to the President or the Secretary, and such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

SECTION 6. REMOVAL. Except as otherwise provided by law, the Board of Directors may remove any officer with or without cause by the affirmative vote of a majority of the directors then in office.

SECTION 7. ABSENCE OR DISABILITY. In the event of the absence or disability of any officer, the Board of Directors may designate another officer to act temporarily in place of such absent or disabled officer.

SECTION 8. VACANCIES. Any vacancy in any office may be filled for the unexpired portion of the term by the Board of Directors.

SECTION 9. PRESIDENT. The President shall, subject to the direction of the Board of Directors, have general supervision and control of the Corporation's business. If there is no Chairman of the Board or if he or she is absent, the President shall preside, when present, at all meetings of stockholders and of the Board of Directors. The President shall have such other powers and perform such other duties as the Board of Directors may from time to time designate.

SECTION 10. CHAIRMAN OF THE BOARD. The Chairman of the Board, if one is elected, shall preside, when present, at all meetings of the stockholders and of the Board of Directors. The Chairman of the Board shall have such other powers and shall perform such other duties as the Board of Directors may from time to time designate.

SECTION 11. CHIEF EXECUTIVE OFFICER. The Chief Executive Officer, if one is elected, shall have such powers and shall perform such duties as the Board of Directors may from time to time designate.

SECTION 12. VICE PRESIDENTS AND ASSISTANT VICE PRESIDENTS. Any Vice President (including any Executive Vice President or Senior Vice President) and any Assistant Vice President shall have such powers and shall perform such duties as the Board of Directors or the Chief Executive Officer may from time to time designate.

SECTION 13. TREASURER AND ASSISTANT TREASURERS. The Treasurer shall, subject to the direction of the Board of Directors and except as the Board of Directors or the Chief Executive Officer may otherwise provide, have general charge of the financial affairs of the Corporation and shall cause to be kept accurate books of account. The Treasurer shall have custody of all funds, securities, and valuable documents of the Corporation. He or she shall have such other duties and powers as may be designated from time to time by the Board of Directors or the Chief Executive Officer.

Any Assistant Treasurer shall have such powers and perform such duties as the Board of Directors or the Chief Executive Officer may from time to time designate.

SECTION 14. SECRETARY AND ASSISTANT SECRETARIES. The Secretary shall record all the proceedings of the meetings of the stockholders and the Board of Directors (including committees of the Board) in books kept for that purpose. In his or her absence from any such meeting, a temporary secretary chosen at the meeting shall record the proceedings thereof. The Secretary shall have charge of the stock ledger (which may, however, be kept by any transfer or other agent of the Corporation). The Secretary shall have custody of the seal of the Corporation, and the Secretary, or an Assistant Secretary, shall have authority to affix it to any instrument requiring it, and, when so affixed, the seal may be attested by his or her signature or that of an Assistant Secretary. The Secretary shall have such other duties and powers as may be designated from time to time by the Board of Directors or the Chief Executive Officer. In the absence of the Secretary, any Assistant Secretary may perform his or her duties and responsibilities.

Any Assistant Secretary shall have such powers and perform such duties as the Board of Directors or the Chief Executive Officer may from time to time designate.

SECTION 15. OTHER POWERS AND DUTIES. Subject to these By-laws and to such limitations as the Board of Directors may from time to time prescribe, the officers of the Corporation shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as from time to time may be conferred by the Board of Directors or the Chief Executive Officer.

ARTICLE IV

CAPITAL STOCK

SECTION 1. CERTIFICATES OF STOCK. Shares of the capital stock of the Corporation may be certificated or uncertificated, as provided under the DGCL. Each stockholder, upon written request to the transfer agent of the Corporation, shall be entitled to a certificate of the capital stock of the Corporation, in such form as may from time to time be prescribed by the Board of Directors. Such certificate shall be signed by the Chairman of the Board of Directors, the President or a Vice President and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary. The Corporation seal and the signatures by the Corporation's officers, the transfer agent or the registrar may be facsimiles. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed on such certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the time of its issue. Every certificate for shares of stock which are subject to any restriction on transfer and every certificate issued when the Corporation is authorized to issue more than one class or series of stock shall contain such legend with respect thereto as is required by law.

SECTION 2. TRANSFERS. Subject to any restrictions on transfer and unless otherwise provided by the Board of Directors, shares of stock may be transferred only on the books of the Corporation (a) with respect to certificated shares, by the surrender to the Corporation or its transfer agent of the certificate theretofore properly endorsed or accompanied by a written assignment or power of attorney properly executed, with transfer stamps (if necessary) affixed, and with such proof of the authenticity of signature as the Corporation or its transfer agent may reasonably require, or (b) with respect to uncertificated shares, upon delivery of a instruction duly executed, and with such proof of authenticity of the signature as the Corporation or its transfer agent may reasonably require, in each case as well as payment of all taxes thereon.

SECTION 3. RECORD HOLDERS. Except as may otherwise be required by law, by the Certificate or by these By-laws, the Corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect thereto, regardless of any transfer, pledge or other disposition of such stock, until the shares have been transferred on the books of the Corporation in accordance with the requirements of these By-laws.

SECTION 4. RECORD DATE. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date: (a) in the case of determination of stockholders entitled to vote at any meeting of stockholders, shall, unless otherwise required by law, not be more than 60 nor less than 10 days before the date of such meeting and (b) in the case of any other action, shall not be more than 60 days prior to such other action. If no record date is fixed: (i) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; and (ii) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

SECTION 5. REPLACEMENT OF CERTIFICATES. In case of the alleged loss, destruction or mutilation of a certificate of stock, a duplicate certificate or uncertificated shares may be issued in place thereof, upon such terms as the Board of Directors may prescribe.

ARTICLE V

INDEMNIFICATION

SECTION 1. DEFINITIONS. For purposes of this Article:

(a) "Corporate Status" describes the status of a person who is serving or has served (i) as a Director of the Corporation, (ii) as an Officer of the Corporation, or (iii) as a director, partner, trustee, officer, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person is or was serving at the request of the Corporation. For purposes of his Section 1(a), an Officer or Director of the Corporation who is serving or has served as a director, partner, trustee, officer, employee or agent of a Subsidiary shall be deemed to be serving at the request of the Corporation;

(b) "Director" means any person who serves or has served the Corporation as a director on the Board of Directors of the Corporation;

(c) "Disinterested Director" means, with respect to each Proceeding in respect of which indemnification is sought hereunder, a Director of the Corporation who is not and was not a party to such Proceeding;

(d) "Expenses" means all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of expert witnesses, private investigators and professional advisors (including, without limitation, accountants and investment bankers), travel expenses, duplicating costs, printing and binding costs, costs of preparation of demonstrative evidence and other courtroom presentation aids and devices, costs incurred in connection with document review, organization, imaging and computerization, telephone charges, postage, delivery service fees, and all other disbursements, costs or expenses of the type customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, settling or otherwise participating in, a Proceeding;

(e) "Non-Officer Employee" means any person who serves or has served as an employee or agent of the Corporation, but who is not or was not a Director or Officer;

(f) "Officer" means any person who serves or has served the Corporation as an officer appointed by the Board of Directors of the Corporation;

(g) "Proceeding" means any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, inquiry, investigation, administrative hearing or other proceeding, whether civil, criminal, administrative, arbitral or investigative; and

(h) "Subsidiary" shall mean any corporation, partnership, limited liability company, joint venture, trust or other entity of which the Corporation owns (either directly or through or together with another Subsidiary of the Corporation) either (i) a general partner, managing member or other similar interest or (ii) (A) 50% or more of the voting power of the voting capital equity interests of such corporation, partnership, limited liability company, joint venture or other entity, or (B) 50% or more of the outstanding voting capital stock or other voting equity interests of such corporation, partnership, limited liability company, joint venture or other entity.

SECTION 2. INDEMNIFICATION OF DIRECTORS AND OFFICERS. Subject to the operation of Section 4 of this Article V of these By-laws, each Director and Officer shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment) against any and all Expenses, judgments, penalties, fines and amounts reasonably paid in settlement that are incurred by such Director or Officer or on such Director's or Officer's behalf in connection with any threatened, pending or completed Proceeding or any claim, issue or matter therein, which such Director or Officer is, or is threatened to be made, a party to or participant in by reason of such Director's or Officer's Corporate Status, if such Director or Officer acted in good faith and in a manner such Director or Officer reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. The rights of indemnification provided by this Section 2 shall continue as to a Director or Officer after he or she has ceased to be a Director or Officer and shall inure to the benefit of his or her heirs, executors, administrators and personal representatives. Notwithstanding the foregoing, the Corporation shall indemnify any Director or Officer seeking indemnification in connection with a Proceeding initiated by such Director or Officer only if such Proceeding was authorized by the Board of Directors of the Corporation, unless such Proceeding was brought to enforce an Officer or Director's rights to Indemnification or, in the case of Directors, advancement of Expenses under these By-laws in accordance with the provisions set forth herein.

SECTION 3. INDEMNIFICATION OF NON-OFFICER EMPLOYEES. Subject to the operation of Section 4 of this Article V of these By-laws, each Non-Officer Employee may, in the discretion of the Board of Directors of the Corporation, be indemnified by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended, against any or all Expenses, judgments, penalties, fines and amounts reasonably paid in settlement that are incurred by such Non-Officer Employee or on such Non-Officer Employee's behalf in connection with any threatened, pending or completed Proceeding, or any claim, issue or matter therein, which such Non-Officer Employee is, or is threatened to be made, a party to or participant in by reason of such Non-Officer Employee's Corporate Status, if such Non-Officer Employee acted in good faith and in a manner such Non-Officer Employee reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. The rights of indemnification provided by this Section 3 shall exist as to a Non-Officer Employee after he or she has ceased to be a Non-Officer Employee and shall inure to the benefit of his or her heirs, personal representatives, executors and administrators. Notwithstanding the foregoing, the Corporation may indemnify any Non-Officer Employee seeking indemnification in connection with a Proceeding initiated by such Non-Officer Employee only if such Proceeding was authorized by the Board of Directors of the Corporation.

SECTION 4. GOOD FAITH. Unless ordered by a court, no indemnification shall be provided pursuant to this Article V to a Director, to an Officer or to a Non-Officer Employee unless a determination shall have been made that such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal Proceeding, such person had no reasonable cause to believe his or her conduct was unlawful. Such determination shall be made by (a) a majority vote of the Disinterested Directors, even though less than a quorum of the Board of Directors, (b) a committee comprised of Disinterested Directors, such committee having been designated by a majority vote of the Disinterested Directors (even though less than a quorum), (c) if there are no such Disinterested Directors, or if a majority of Disinterested Directors so directs, by independent legal counsel in a written opinion, or (d) by the stockholders of the Corporation.

SECTION 5. ADVANCEMENT OF EXPENSES TO DIRECTORS AND OFFICERS PRIOR TO FINAL DISPOSITION.

(a) The Corporation shall advance all Expenses incurred by or on behalf of any Director or Officer in connection with any Proceeding in which such Director or Officer is involved by reason of such Director's or Officer's Corporate Status within 10 days after the receipt by the Corporation of a written statement from such Director or Officer requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by such Director or Officer and shall be preceded or accompanied by an undertaking by or on behalf of such Director or Officer to repay any Expenses so advanced if it shall ultimately be determined that such Director or Officer is not entitled to be indemnified against such Expenses.

(b) If a claim for advancement of Expenses hereunder by a Director or Officer is not paid in full by the Corporation within 10 days after receipt by the Corporation of documentation of Expenses and the required undertaking, such Director or Officer may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and if successful in whole or in part, such Director or Officer shall also be entitled to be paid the expenses of prosecuting such claim. The failure of the Corporation (including its Board of Directors or any committee thereof, independent legal counsel, or stockholders) to make a determination concerning the permissibility of such advancement of Expenses under this Article V shall not be a defense to the action and shall not create a presumption that such advancement is not permissible. The burden of proving that a Director or Officer is not entitled to an advancement of expenses shall be on the Corporation.

(c) In any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that the Director or Officer has not met any applicable standard for indemnification set forth in the DGCL.

SECTION 6. ADVANCEMENT OF EXPENSES TO NON-OFFICER EMPLOYEES PRIOR TO FINAL DISPOSITION.

(a) The Corporation may, at the discretion of the Board of Directors of the Corporation, advance any or all Expenses incurred by or on behalf of any Non-Officer Employee in connection with any Proceeding in which such is involved by reason of the Corporate Status of such Non-Officer Employee upon the receipt by the Corporation of a statement or statements from such Non-Officer Employee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by such Non-Officer Employee and shall be preceded or accompanied by an undertaking by or on behalf of such to repay any Expenses so advanced if it shall ultimately be determined that such Non-Officer Employee is not entitled to be indemnified against such Expenses.

(b) In any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that the Non-Officer Employee has not met any applicable standard for indemnification set forth in the DGCL.

SECTION 7. CONTRACTUAL NATURE OF RIGHTS.

(a) The foregoing provisions of this Article V shall be deemed to be a contract between the Corporation and each Director and Officer entitled to the benefits hereof at any time while this Article V is in effect, and any repeal or modification thereof shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any Proceeding theretofore or thereafter brought based in whole or in part upon any such state of facts.

(b) If a claim for indemnification of Expenses hereunder by a Director or Officer is not paid in full by the Corporation within 60 days after receipt by the Corporation of a written claim for indemnification, such Director or Officer may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim, and if successful in whole or in part, such Director or Officer shall also be entitled to be paid the expenses of Prosecuting such claim. The failure of the Corporation (including its Board of Directors or any committee thereof, independent legal counsel, or stockholders) to make a determination concerning the permissibility of such indemnification under this Article V shall not be a defense to the action and shall not create a presumption that such indemnification is not permissible. The burden of proving that a Director or Officer is not entitled to indemnification shall be on the Corporation.

(c) In any suit brought by a Director or Officer to enforce a right to indemnification hereunder, it shall be a defense that such Director or Officer has not met any applicable standard for indemnification set forth in the DGCL.

SECTION 8. NON-EXCLUSIVITY OF RIGHTS. The rights to indemnification and advancement of Expenses set forth in this Article V shall not be exclusive of any other right which any Director, Officer, or Non-Officer Employee may have or hereafter acquire under any statute, provision of the Certificate or these By-laws, agreement, vote of stockholders or Disinterested Directors or otherwise.

SECTION 9. INSURANCE. The Corporation may maintain insurance, at its expense, to protect itself and any Director, Officer or Non-Officer Employee against any liability of any character asserted against or incurred by the Corporation or any such Director, Officer or Non-Officer Employee, or arising out of any such person's Corporate Status, whether or not the Corporation would have the power to indemnify such person against such liability under the DGCL or the provisions of this Article V.

ARTICLE VI

DIVIDENDS

SECTION 1. DECLARATION OF DIVIDENDS. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate, if any, may be declared by the Board of Directors pursuant to law at any regular or special meeting. Dividends may be paid in cash, in property, or in shares of the capital stock, at the sole discretion of the Board of Directors.

SECTION 2. DIVIDEND RESERVE. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in their absolute discretion, think proper and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE VII

MISCELLANEOUS PROVISIONS

SECTION 1. FISCAL YEAR. The fiscal year of the Corporation shall be determined by the Board of Directors.

SECTION 2. SEAL. The Board of Directors shall have power to adopt and alter the seal of the Corporation.

SECTION 3. EXECUTION OF INSTRUMENTS. All deeds, leases, transfers, contracts, bonds, notes and other obligations to be entered into by the Corporation in the ordinary course of its business without Director action may be executed on behalf of the Corporation by the Chairman of the Board, if one is elected, the President or the Treasurer or any other officer, employee or agent of the Corporation as the Board of Directors or Executive Committee may authorize.

SECTION 4. VOTING OF SECURITIES. Unless the Board of Directors otherwise provides, the Chairman of the Board, if one is elected, the President or the Treasurer may waive notice of and act on behalf of this Corporation, or appoint another person or persons to act as proxy or attorney in fact for this Corporation with or without discretionary power and/or power of substitution, at any meeting of stockholders or shareholders of any other corporation or organization, any of whose securities are held by this Corporation.

SECTION 5. RESIDENT AGENT. The Board of Directors may appoint a resident agent upon whom legal process may be served in any action or proceeding against the Corporation.

SECTION 6. CORPORATE RECORDS. The original or attested copies of the Certificate, By-laws and records of all meetings of the incorporators, stockholders and the Board of Directors and the stock transfer books, which shall contain the names of all stockholders, their record addresses and the amount of stock held by each, may be kept outside the State of Delaware and shall be kept at the principal office of the Corporation, at the office of its counsel or at an office of its transfer agent or at such other place or places as may be designated from time to time by the Board of Directors.

SECTION 7. CERTIFICATE. All references in these By-laws to the "Certificate" shall be deemed to refer to the Certificate of Incorporation of the Corporation, as amended and/or restated and in effect from time to time.

SECTION 8. AFFIDAVIT OF MAILING OR TRANSMISSION. An affidavit of mailing or transmission, executed by a duly authorized and competent employee of the Corporation or its transfer agent appointed with respect to the class of stock affected, specifying the name and address or the names and addresses of the stockholder or stockholders, or Director or Directors, to whom any such notice or notices was or were given, and the time and method of giving the same, shall be conclusive evidence of the statements therein contained.

SECTION 9. ELECTRONIC TRANSMISSION. When used in these By-laws and when permitted by applicable law, the terms "written" and "in writing" shall include any "electronic transmission," as defined in Section 232(c) of the DGCL, including without limitation any telegram, cablegram, facsimile transmission and communication by electronic mail, and "address" shall include the recipient's electronic address for such purposes.

SECTION 10. ADDRESS UNKNOWN. If the address of a stockholder or Director be unknown, notice to such person may be sent to the principal executive office of the Corporation.

SECTION 11. AMENDMENT OF BY-LAWS. These By-laws may be altered, amended or repealed, in whole or in part, or new By-laws may be adopted by the Board or by the stockholders as expressly provided in the Certificate.

Adopted and effective as of December 17, 2019.

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Section 3: EX-4.4

Exhibit 4.4

**DESCRIPTION OF THE SECURITIES OF
1347 PROPERTY INSURANCE HOLDINGS, INC.
REGISTERED PURSUANT TO SECTION 12 OF
THE SECURITIES EXCHANGE ACT OF 1934**

The following summarizes the terms and provisions of the Common Stock and 8.00% Cumulative Preferred Stock, Series A, of 1347 Property Insurance Holdings, Inc., a Delaware corporation (the "Company"). The Common Stock and 8.00% Cumulative Preferred Stock, Series A, are both registered under Section 12(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The following summary does not purport to be complete and is qualified in its entirety by reference to the Company's Certificate of Incorporation and Bylaws, each as amended, and the Certificate of Designations of 8.00% Cumulative Preferred Stock, Series A, which the Company has previously filed with the Securities and Exchange Commission, and applicable Delaware law.

Authorized Capital

The Company's authorized capital stock consists of 10,000,000 shares of common stock, par value \$0.001 per share (the "Common Stock"), and 1,000,000 shares of preferred stock, par value \$25.00 per share, of which 736,000 shares have been designated as a single series of 8.00% Cumulative Preferred Stock, Series A (the "Series A Preferred Stock").

Under Delaware law, stockholders generally are not personally liable for a corporation's acts or debts.

Common Stock

Exchange and Trading Symbol

The Common Stock is listed for trading on the Nasdaq Global Market tier of the Nasdaq Stock Market under the trading symbol "PIH."

Rights, Preferences and Privileges

All outstanding shares of Common Stock are duly authorized, fully paid and nonassessable. Holders of shares of Common Stock have no conversion, preemptive or subscription rights, and there are no redemption or sinking fund provisions applicable to the Common Stock. The rights, preferences and privileges of the holders of Common Stock are subject to, and may be adversely affected by, the rights of the holders of shares of the Series A Preferred Stock and any series of preferred stock that the Company may designate and issue in the future.

Voting Rights

Holders of Common Stock are entitled to one vote for each share held of record on all matters to be voted on by the stockholders. There is no cumulative voting with respect to the election of directors. Directors are elected annually by a plurality of the votes cast by the holders of Common Stock. Except for the approval required to amend the Company's Certificate of Incorporation or the Bylaws and except as otherwise required by law, all other matters brought to a vote of the holders of Common Stock are determined by a majority of the votes cast, and, except as may be provided with respect to any other outstanding class or series of the Company's stock, the holders of shares of Common Stock possess the exclusive voting power.

Dividends

Subject to preferences that may be applicable to any outstanding shares of preferred Stock (including the Series A Preferred Stock), the holders of Common Stock are entitled to receive dividends, if any, as may be declared from time to time by the Company's Board of Directors out of legally available funds.

Liquidation

In the event of the Company's liquidation, dissolution or winding up, the holders of Common Stock are entitled to share ratably in the assets legally available for distribution to stockholders after the payment of all of the Company's known debts and liabilities and after adequate provision has been made for each class of stock having preference over the Common Stock, if any.

Preferred Stock

The Board of Directors of the Company is permitted, subject to any limitations prescribed by applicable law and without further approval or action by the holders of Common Stock, to issue up to 1,000,000 shares of preferred stock in one or more series.

The Board of Directors may fix the designation, powers, preferences and rights of the shares of each such series and any qualifications, limitations or restrictions thereof, including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences and sinking fund terms. The rights of the holders of Common Stock are generally be subject to the prior rights of the holders of any outstanding shares of preferred stock with respect to dividends, liquidation preferences and other matters.

8.00% Cumulative Preferred Stock, Series A

The Board of Directors has designated 736,000 shares of preferred stock as a single series of 8.00% Cumulative Preferred Stock, Series A, or Series A Preferred Stock. The Company filed a Certificate of Designations to its Third Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware on February 23, 2018, establishing the rights, preferences, privileges, qualifications, restrictions, limitations and other terms of the Series A Preferred Stock (the "Certificate of Designations"). The original issue date of the Series A Preferred Stock is February 28, 2018. Other than the Series A Preferred Stock, the Company does not have any other series or shares of preferred stock outstanding.

Exchange and Trading Symbol

The Series A Preferred Stock is listed for trading on the Nasdaq Global Market tier of the Nasdaq Stock Market under the trading symbol "PIHPP."

Rights and Preferences

The Series A Preferred Stock is fully paid and non-assessable. Holders of the Series A Preferred Stock do not have preemptive or similar rights to acquire any of the Company's capital stock. Holders do not have the right to convert Series A Preferred Stock into, or exchange Series A Preferred Stock for, shares of any other class or series of shares or other securities of the Company. The Series A Preferred Stock has no stated maturity and is not subject to any sinking fund, retirement fund or purchase fund or other obligation of the Company to redeem or purchase the Series A Preferred Stock. The rights, preferences and privileges of the holders of Series A Preferred Stock are subject to, and may be adversely affected by, the rights of the holders of shares of any other series of preferred stock that the Company may designate and issue in the future that ranks senior to the Series A Preferred Stock.

Ranking

The Series A Preferred Stock ranks senior to the Common Stock and any other junior stock (as defined in the Certificate of Designations) with respect to the payment of dividends and distributions of assets upon liquidation, dissolution or winding up, equally with any parity stock (as defined in the Certificate of Designations) of the Company, including other series of preferred stock that the Company may issue the terms of which provide that they rank equally with the Series A Preferred Stock with respect to the payment of dividends and distributions of assets upon liquidation, dissolution or winding-up, and junior to any series of preferred stock that the Company may issue in the future the terms of which provide that they rank senior to the Series A Preferred Stock with respect to the payment of dividends and distributions of assets upon the Company's liquidation, dissolution or winding-up.

Dividends

Holders of Series A Preferred Stock are entitled to receive, when, as and if declared by the Board of Directors of the Company or a duly authorized committee thereof, out of lawfully available funds for the payment of dividends, cumulative cash dividends from the original issue date at the rate of 8.00% of the \$25.00 per share liquidation preference per annum (equivalent to \$2.00 per annum per share). Dividends on the Series A Preferred Stock are payable quarterly on the 15th day of March, June, September and December of each year, commencing on June 15, 2018 (each, a “dividend payment date”). In the event that the Company issues additional shares of Series A Preferred Stock after the original issue date, dividends on such additional shares may accrue from the original issue date or any other date that the Company specifies at the time such additional shares are issued.

Dividends, if so declared, are payable to holders of record of the Series A Preferred Stock as they appear on the Company’s books on the applicable record date, which is March 1, June 1, September 1 and December 1, as applicable, immediately preceding the applicable dividend payment date (each, a “dividend record date”). These dividend record dates apply regardless of whether a particular dividend record date is a business day (as defined in the Certificate of Designations). As a result, holders of shares of Series A Preferred Stock are not entitled to receive dividends on a dividend payment date if such shares were not issued and outstanding on the applicable dividend record date.

A dividend period is the period from and including a dividend payment date to but excluding the next dividend payment date, except that the initial dividend period commenced on and included the original issue date of the Series A Preferred Stock and ended on and excluded the June 15, 2018 dividend payment date. Dividends payable on the Series A Preferred Stock are computed on the basis of a 360-day year consisting of twelve 30-day months. If any date on which dividends would otherwise be payable is not a business day, then the dividend payment date will be the next succeeding business day with the same force and effect as if made on the original dividend payment date, and no additional dividends shall accrue on the amount so payable from such date to such next succeeding business day.

No dividends on shares of Series A Preferred Stock shall be authorized by the Board of Directors (or a duly authorized committee thereof) or paid or set apart for payment by the Company at any time when the terms and provisions of any agreement of the Company, including any agreement relating to the Company’s indebtedness, prohibit the authorization, payment or setting apart for payment thereof or provide that the authorization, payment or setting apart for payment thereof would constitute a breach of the agreement or a default under the agreement, or if the authorization, payment or setting apart for payment shall be restricted or prohibited by law.

Notwithstanding the foregoing, dividends on the Series A Preferred Stock accrue whether or not the Company has earnings, whether or not there are funds legally available for the payment of those dividends and whether or not those dividends are declared by the Board of Directors. No interest, or sum in lieu of interest, is payable in respect of any dividend payment or payments on the Series A Preferred Stock that may be in arrears, and holders of the Series A Preferred Stock are not entitled to any dividends in excess of full cumulative dividends described above. Any dividend payment made on the Series A Preferred Stock is first credited against the earliest accumulated but unpaid dividend due with respect to those shares.

Unless full cumulative dividends on all shares of Series A Preferred Stock have been or contemporaneously are declared and paid (or declared and a sum sufficient for the payment thereof has been set aside or contemporaneously is set apart for payment for all past dividend periods):

- no dividend shall be declared or paid or set aside for payment upon the Common Stock, or any other junior stock (other than a dividend payable solely in Common Stock or other junior stock), nor shall any distribution be declared or made upon the Common Stock or any other junior stock;
 - no Common Stock or other junior stock shall be purchased, redeemed or otherwise acquired for consideration by the Company, directly or indirectly (other than (1) as a result of a reclassification of junior stock for or into other junior stock, or the exchange or conversion of one share of junior stock for or into another share of junior stock, or (2) through the use of the proceeds of a substantially contemporaneous sale of junior stock) nor shall any monies be paid to or made available for a sinking fund for the redemption of such stock (it being understood that the provisions of this bullet point shall not apply to grants or settlements of grants pursuant to any equity compensation plan adopted by the Company); and
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- no shares of Series A Preferred Stock or parity stock shall be repurchased, redeemed or otherwise acquired for consideration by the Company other than pursuant to pro rata offers to purchase all, or a pro rata portion, of the Series A Preferred Stock and such parity stock except by conversion into or exchange for junior stock.

When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series A Preferred Stock and any parity stock, all dividends declared upon the Series A Preferred Stock and any parity stock shall be declared pro rata so that the amount of dividends declared per share of Series A Preferred Stock and such parity stock shall in all cases bear to each other the same ratio that accrued dividends per share on the Series A Preferred Stock and such parity stock (which shall not include any accrual in respect of unpaid dividends for prior dividend periods if such preferred stock does not have a cumulative dividend) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series A Preferred Stock that may be in arrears.

Liquidation Rights

Upon the Company's voluntary or involuntary liquidation, dissolution or winding up, holders of the Series A Preferred Stock and any parity stock are entitled to receive out of the Company's assets available for distribution to stockholders, after satisfaction of liabilities to creditors, if any, and subject to the preferential rights of the holders of any class or series of capital stock that the Company may issue ranking senior to the Series A Preferred Stock with respect to the distribution of assets upon liquidation, dissolution or winding up, a liquidating distribution in the amount equal to the liquidation preference of \$25.00 per share of Series A Preferred Stock, plus an amount equal to any accumulated and unpaid dividends to, but not including, the date of payment, but before any distribution of assets is made to holders of Common Stock or any class or series of the Company's capital stock it may issue that ranks junior to the Series A Preferred Stock as to liquidation rights.

In any such distribution, if the Company's assets are not sufficient to pay the liquidation distributions in full to all holders of the Series A Preferred Stock and all holders of any parity stock, the amounts paid to the holders of Series A Preferred Stock and to the holders of any parity stock will be paid pro rata in accordance with the respective aggregate liquidation distributions of those holders. In any such distribution, the liquidation distribution to any holder of preferred stock means the amount payable to such holder in such distribution, including any declared but unpaid dividends (and any unpaid, accrued cumulative dividends in the case of any holder of shares on which dividends accrue on a cumulative basis). If the liquidation distributions have been paid in full to all holders of shares of the Series A Preferred Stock and any holders of shares of parity stock and shares ranking senior to the Series A Preferred Stock with respect to the distribution of assets upon liquidation, dissolution or winding-up, the holders of the Company's other classes of capital stock will be entitled to receive all of the Company's remaining assets according to their respective rights and preferences.

A consolidation or merger involving the Company with any other entity, including the consolidation or merger in which the holders of Series A Preferred Stock receive cash, securities or other property for their shares, or the sale or transfer of all or substantially all of the property and assets of the Company for cash, securities or other property, will not be deemed to constitute a liquidation, dissolution or winding-up.

Redemption

The Series A Preferred Stock is not subject to any mandatory redemption, sinking fund, retirement fund, purchase fund or other similar provisions.

The Series A Preferred Stock is not redeemable prior to February 28, 2023. On and after that date, the Series A Preferred Stock will be redeemable at the Company's option, in whole or in part, upon not less than 30 days nor more than 60 days' written notice, at a redemption price equal to \$25.00 per share, plus any accumulated and unpaid dividends thereon to, but not including, the redemption date. Holders of the Series A Preferred Stock have no right to require the redemption of the Series A Preferred Stock.

In connection with any redemption of Series A Preferred Stock, the Company shall pay, in cash, any accumulated and unpaid dividends to, but not including, the redemption date, unless a redemption date falls after a dividend record date and prior to the corresponding dividend payment date, in which case each holder of Series A Preferred Stock at the close of business on such dividend record date shall be entitled to the dividend payable on such shares on the corresponding dividend payment date notwithstanding the redemption of such shares before such dividend payment date.

If shares of the Series A Preferred Stock are to be redeemed, the notice of redemption shall be given by first class mail to the holders of record of the Series A Preferred Stock to be redeemed, mailed not less than 30 days nor more than 60 days prior to the date fixed for redemption thereof (provided that, if the Series A Preferred Stock is held in book-entry form through The Depository Trust Company, or "DTC," the Company may give such notice in any manner permitted by DTC). Each notice of redemption will include a statement setting forth:

- the redemption date;
- the number of shares of Series A Preferred Stock to be redeemed and, if less than all the shares of Series A Preferred Stock held by such holder are to be redeemed, the number of such shares of Series A Preferred Stock to be redeemed from such holder;
- the redemption price;
- that the shares should be delivered via book entry transfer or the place or places where holders may surrender certificates evidencing the Series A Preferred Stock for payment of the redemption price; and
- if applicable, that such redemption is being made in connection with a change of control and, in that case, a brief description of the transaction or transactions constituting such change of control.

In case of any redemption of only part of the shares of Series A Preferred Stock at the time outstanding, the shares of Series A Preferred Stock to be redeemed shall be selected either pro rata or in such other manner as the Company may determine to be fair and equitable.

If notice of redemption of any shares of Series A Preferred Stock has been given and if the Company has irrevocably set aside the funds necessary for such redemption, then, from and after the redemption date (unless the Company shall default in providing for the payment of the redemption price plus accumulated and unpaid dividends, if any), dividends will cease to accumulate on such shares of Series A Preferred Stock, such shares of Series A Preferred Stock shall no longer be deemed outstanding and all rights of the holders of such shares of Series A Preferred Stock will terminate, except the right to receive the redemption price plus accumulated and unpaid dividends, if any, payable upon redemption.

Unless full cumulative dividends on all shares of Series A Preferred Stock shall have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been or contemporaneously is set apart for payment for all past dividend periods, no shares of Series A Preferred Stock shall be redeemed unless all outstanding shares of Series A Preferred Stock are simultaneously redeemed, and the Company shall not purchase or otherwise acquire directly or indirectly any shares of Series A Preferred Stock (except by exchanging it for its junior stock); provided, however, that the Company may purchase or acquire shares of Series A Preferred Stock pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of Series A Preferred Stock.

The Company's ability to redeem the Series A Preferred Stock as described above may be limited by the terms of agreements governing the Company's existing and future indebtedness and by the provisions of other existing and future agreements.

Voting Rights

Holders of Series A Preferred Stock do not have any voting rights, except as set forth below or as otherwise from time to time provided by law, nor do the holders of the Series A Preferred Stock receive any notice of a meeting or vote by the Company's common stockholders.

In any matter on which holders of Series A Preferred Stock are entitled to vote, each share of Series A Preferred Stock is entitled to one vote for each \$25.00 of liquidation preference.

So long as any shares of Series A Preferred Stock remain outstanding, the Company will not, without the affirmative vote or consent of the holders of at least two-thirds of the votes entitled to be cast by the holders of the Series A Preferred Stock and each other class or series of voting parity stock outstanding at the time, given in person or by proxy, either in writing or at a meeting (voting together as a single class) (a) authorize, create, or issue, or increase the authorized or issued amount of, any class or series of stock ranking senior to the Series A Preferred Stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up of the affairs of the Company or reclassify any authorized shares of capital stock of the Company into such stock, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such stock; or (b) amend, alter or repeal the Certificate of Incorporation, whether by way of a merger, consolidation, transfer or conveyance of all or substantially all of the Company's assets or otherwise (an "Event"), so as to materially and adversely affect any right, preference, privilege or voting power of the Series A Preferred Stock or the holders thereof; provided, however, with respect to the occurrence of any of the Events set forth in (b) above, so long as any shares of Series A Preferred Stock remain outstanding with the terms thereof unchanged or the holders of shares of Series A Preferred Stock receive capital stock of the successor with substantially identical rights (taken as a whole), taking into account that, upon the occurrence of an Event, we may not be the surviving entity, the occurrence of such Event shall not be deemed to adversely affect such rights, preferences, privileges or voting power of holders of Series A Preferred Stock, and in such case such holders shall not have any voting rights with respect to the occurrence of any of the Events set forth in (b) above. In addition, if the holders of the Series A Preferred Stock receive the greater of the full trading price of the Series A Preferred Stock on the date of an Event set forth in (b) above or the \$25.00 liquidation preference per share of the Series A Preferred Stock pursuant to the occurrence of any of the Events set forth in (b) above, then such holders will not have any voting rights with respect to the Events set forth in (b) above. Moreover, if any Event set forth in (b) above would adversely affect any right, preference, privilege or voting power of the Series A Preferred Stock disproportionately relative to other classes or series of parity stock, the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting separately as a class, will also be required.

Holders of the Series A Preferred Stock are not entitled to vote with respect to (x) any increase in the total number of authorized shares of parity stock or junior stock of the Company, or (y) any increase in the amount of the authorized Series A Preferred Stock or the creation or issuance of any other class or series of parity stock or junior stock, and any such authorization, creation or issuances will not be deemed to adversely affect the rights of the holders of the Series A Preferred Stock.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series A Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds, in cash, shall have been deposited in trust to effect such redemption and irrevocable instructions have been given to the paying agent to pay the redemption price and all accrued and unpaid distributions on the Series A Preferred Stock.

Book Entry

The Series A Preferred Stock is represented by a global security deposited with and registered in the name of Cede & Co. as DTC's nominee. DTC is the depository for the Series A Preferred Stock. Unless exchanged in whole or in part for a certificated security, a global security may not be transferred. However, DTC, its nominees, and their successors may transfer a global security as a whole to one another. Beneficial interests in the global securities are shown on, and transfers of the global securities are made only through, records maintained by DTC and its participants.

Transfer Agent, Registrar, Dividend Disbursing Agent and Redemption Agent

VStock Transfer, LLC is the transfer agent and registrar for the Common Stock and Series A Preferred Stock and the dividend disbursing agent and redemption agent for the Series A Preferred Stock.

Anti-Takeover Effects of Provisions of Delaware Law and the Company's Certificate of Incorporation and Bylaws

Delaware Anti-Takeover Law

The Company is subject to Section 203 of the Delaware General Corporation Law ("Section 203"). Section 203 generally prohibits a public Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder unless:

- prior to the date of the transaction, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned by (i) persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- at or subsequent to such time the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

Section 203 defines a "business combination" to generally include:

- any merger or consolidation of the corporation or any direct or indirect majority-owned subsidiary of the corporation with the interested stockholder;
- any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), except proportionately as a stockholder of such corporation, to or with the interested stockholder of assets of the corporation or of any direct or indirect majority-owned subsidiary of the corporation which assets have an aggregate market value equal to 10% or more of either the aggregate market value of all the assets of the corporation determined on a consolidated basis or the aggregate market value of all the outstanding stock of the corporation;
- subject to certain exceptions, any transaction which results in the issuance or transfer by the corporation or by any direct or indirect majority-owned subsidiary of the corporation of any stock of the corporation or of such subsidiary to the interested stockholder;
- subject to certain exceptions, any transaction involving the corporation or any direct or indirect majority-owned subsidiary of the corporation which has the effect, directly or indirectly, of increasing the proportionate share of the stock of any class or securities, or securities convertible into the stock of any class or series, of the corporation or of any such subsidiary which is owned by the interested stockholder; and
- any receipt by the interested stockholder of the benefit, directly or indirectly (except proportionately as a stockholder of such corporation), of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation or any direct or indirect majority-owned subsidiary.

In general, Section 203 defines an interested stockholder as any entity or person that (i) is the owner of 15% or more of the outstanding voting stock of the corporation, or (ii) is an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within the three-year period immediately prior to the date on which it is sought to be determined whether such person is an interested stockholder, and the affiliates and associates of such person.

Certificate of Incorporation and Bylaws

The Company's Certificate of Incorporation and Bylaws include anti-takeover provisions that:

- authorize the Board of Directors, without further action by the stockholders, to issue shares of preferred stock in one or more series, and with respect to each series, to fix the number of shares constituting that series, and establish the rights and terms of that series;
- establish advance notice procedures for stockholders to submit nominations of candidates for election to the Board of Directors to be brought before a stockholders meeting;
- allow the Company's directors to establish the size of the Board of Directors and fill vacancies on the Board created by an increase in the number of directors (subject to the rights of the holders of any series of preferred stock to elect additional directors under specified circumstances);
- do not provide stockholders cumulative voting rights with respect to director elections;
- do not permit stockholders to take action by written consent;
- provide that special meetings of the stockholders may be called only by or at the direction of the Board of Directors or at the request of 50% or more of the voting power of all of the outstanding shares of the Company's capital stock entitled to vote on any issue contemplated to be considered at such proposed special meeting;
- require the approval of 66 2/3% or more of the voting power of all of the outstanding shares of the Company's capital stock entitled to vote generally in the election of directors to amend the Certificate of Incorporation; and
- allow the Board of Directors to make, alter or repeal the Company's Bylaws but only allow stockholders to amend the Bylaws upon the approval of 66 2/3% or more of the voting power of all of the outstanding shares of the Company's capital stock entitled to vote generally in the election of directors.

Provisions of the Company's Certificate of Incorporation and Bylaws may delay or discourage transactions involving an actual or potential change in the Company's control or change in the Company's Board of Directors or management, including transactions in which stockholders might otherwise receive a premium for their shares or transactions that the Company's stockholders might otherwise deem to be in their best interests. Therefore, these provisions could adversely affect the price of the Common Stock.

Authorized and Unissued Shares

The Company's authorized and unissued shares of Common Stock are available for future issuance without stockholder approval except as may otherwise be required by applicable stock exchange rules or Delaware law. The Company may issue additional shares for a variety of purposes, including future offerings to raise additional capital, to fund acquisitions and as employee and consultant compensation. The existence of authorized but unissued shares of Common Stock could render more difficult, or discourage an attempt, to obtain control of the Company by means of a proxy contest, tender offer, merger or otherwise.

The Company's Certificate of Incorporation authorizes the issuance of "blank check" preferred stock with such designations, rights and preferences as may be determined from time to time by the Company's Board of Directors. Accordingly, the Board of Directors is empowered, without stockholder approval, to issue shares of preferred stock with dividend, liquidation, conversion, voting or other rights that could adversely affect the value, voting power or other rights of holders of Common Stock. In addition, the Board of Directors may, under certain circumstances, issue preferred stock in order to delay, defer, prevent or make more difficult a change of control transaction such as a merger, tender offer, business combination or proxy contest, assumption of control by a holder of a large block of the Company's securities or the removal of incumbent management of the Company, even if those events were favorable to the interests of the Company's stockholders.

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Section 4: EX-21.1

Exhibit 21.1

SUBSIDIARIES

PIH Re, Ltd., a Bermuda Company

Fundamental Global Advisors LLC, a Delaware Company

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Section 5: EX-23.1

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

1347 Property Insurance Holdings, Inc.
St. Petersburg, FL

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-225362 and 333-19500) of 1347 Property Insurance Holdings, Inc. of our report dated March 30, 2020, relating to the consolidated financial statements, which appear in this Form 10-K.

/s/ BDO USA LLP

Grand Rapids, Michigan

March 30, 2020

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Section 6: EX-31.1

Exhibit 31.1

CERTIFICATION

I, D. Kyle Cerminara, certify that:

1. I have reviewed this annual report on Form 10-K of 1347 Property Insurance Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the 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;

5. The registrant's other certifying officer 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 material 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 30, 2020

By: /s/ D. Kyle Cerminara

D. Kyle Cerminara,
Principal Executive Officer

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Section 7: EX-31.2

Exhibit 31.2

CERTIFICATION

I, John S. Hill, certify that:

1. I have reviewed this annual report on Form 10-K of 1347 Property Insurance Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the 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;
5. The registrant's other certifying officer 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 material 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 30, 2020

By: /s/ John S. Hill

John S. Hill, Executive Vice President, Secretary, and
Chief Financial Officer
(Principal Financial Officer)

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Section 8: EX-32.1

Exhibit 32.1

STATEMENTS REQUIRED BY 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 on Form 10-K of 1347 Property Insurance Holdings, Inc. (the "Company"), for the year ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, D. Kyle Cerminara, Principal Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

1. The Form 10-K fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: March 30, 2020

By: /s/ D. Kyle Cerminara

D. Kyle Cerminara,
Principal Executive Officer

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Section 9: EX-32.2

Exhibit 32.2

STATEMENTS REQUIRED BY 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 on Form 10-K of 1347 Property Insurance Holdings, Inc. (the "Company"), for the year ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John S. Hill, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

1. The Form 10-K fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: March 30, 2020

By: /s/ John S. Hill

John S. Hill, Chief Financial Officer
(Principal Financial Officer)

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