Florida Peninsula Holdings, LLC and Its Wholly Owned Subsidiaries

Consolidated Financial Statements
and Supplementary Information
Years Ended December 31, 2016 and 2015

Florida Peninsula Holdings, LLC
and Its Wholly Owned Subsidiaries

Consolidated Financial Statements and Supplementary Information
Years Ended December 31, 2016 and 2015

Florida Peninsula Holdings, LLC
and Its Wholly Owned Subsidiaries

Contents

Tel: 616-774-7000
Fax: 616-776-3680
www.bdo.com

200 Ottawa Avenue NW, Suite 300
Grand Rapids, MI 49503

Independent Auditor's Report

Board of Directors
Florida Peninsula Holdings, LLC
Boca Raton, Florida

We have audited the accompanying consolidated financial statements of Florida Peninsula Holdings, LLC and its wholly owned subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, the related consolidated statements of income and comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Florida Peninsula Holdings, LLC and its wholly owned subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

May 2, 2017

Consolidated Financial Statements

Florida Peninsula Holdings, LLC
and Its Wholly Owned Subsidiaries

Consolidated Balance Sheets

December 31,		**2016**		2015
Assets				
Investments, at fair value				
Cash equivalents and short term investments	**$**	**1,646,833**	$	6,152,658
Bonds		**246,429,819**		234,243,610
Preferred and common stocks		**2,231,438**		22,777,343
Other invested assets		**12,423,935**		11,817,684
Total investments, at fair value		**262,732,025**		274,991,295
Cash		**56,544,406**		41,538,304
Accrued investment income		**1,572,391**		1,477,562
Premiums receivable		**14,181,803**		12,806,295
Reinsurance recoverable on paid losses		**6,224,671**		2,037,850
Reinsurance recoverable on unpaid losses		**41,966,728**		22,865,787
Prepaid reinsurance premiums		**77,479,332**		70,266,507
Deferred policy acquisition costs		**14,624,116**		12,341,383
Income taxes recoverable		**5,911,008**		-
Deferred income tax asset, net		**3,951,809**		4,654,388
Goodwill		**3,479,391**		3,479,391
Fixed assets, net		**2,143,362**		2,508,381
Other assets		**3,210,950**		3,755,561
Total Assets	**$**	**494,021,992**	$	452,722,704
Liabilities and Members' Equity				
Liabilities				
Reserves for losses and loss adjustment expenses	**$**	**134,377,777**	$	118,645,857
Unearned premiums		**153,568,003**		136,976,051
Premiums collected in advance		**5,949,699**		5,689,106
Reinsurance premiums payable		**41,776,236**		31,618,283
Deferred ceding commission		**4,890,012**		4,802,940
Income taxes payable		**-**		4,624,355
Notes payable		**42,811,720**		48,270,333
Other liabilities		**7,097,893**		4,856,764
Total liabilities		**390,471,340**		355,483,689
Members' Equity				
Class A members' capital		**50**		50
Class B members' capital		**50**		50
Accumulated other comprehensive income (loss), net of tax		**240,116**		(356,667)
Retained earnings		**103,310,436**		97,595,582
Total members' equity		**103,550,652**		97,239,015
Total Liabilities and Members' Equity	**$**	**494,021,992**	$	452,722,704

See accompanying notes to consolidated financial statements.

Florida Peninsula Holdings, LLC
and Its Wholly Owned Subsidiaries

Consolidated Statements of Income and Comprehensive Income

Year ended December 31,	**2016**	2015
Revenues		
Premiums earned	**$ 128,235,343**	$ 128,009,637
Net investment income	**4,337,641**	4,455,924
Net realized gain	**2,921,121**	1,824,976
Miscellaneous income	**1,999,722**	2,961,340
Total revenues	**137,493,827**	137,251,877
Losses and Expenses		
Losses and loss adjustment expenses incurred	**73,132,603**	39,915,530
Other operating costs and expenses	**30,511,555**	26,630,216
Depreciation expense	**532,595**	531,437
Amortization expense	**422,412**	379,675
Interest expense	**2,872,888**	3,294,644
Total losses and expenses	**107,472,053**	70,751,502
Income before income tax expense	**30,021,774**	66,500,375
Income tax expense	**3,306,920**	13,616,416
Net income	**26,714,854**	52,883,959
Other Comprehensive Income (Loss)		
Unrealized gain (loss) on appreciation (depreciation) of investments	**3,571,253**	(2,977,042)
Adjustment for reclassification of net realized gains (losses) recognized in net income	**(2,599,175)**	(1,705,510)
Tax impact	**(375,295)**	1,807,816
Total Comprehensive Income	**$ 27,311,637**	$ 50,009,223

See accompanying notes to consolidated financial statements.

Florida Peninsula Holdings, LLC
and Its Wholly Owned Subsidiaries

Consolidated Statements of Changes In Members' Equity

	Members' Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Members' Equity
Balance, January 1, 2015	$ 100	$ 2,518,069	$ 74,161,623	$ 76,679,793
Net income	-	-	52,883,959	52,883,959
Unrealized loss on depreciation of investments, net of taxes	-	(2,874,736)	-	(2,874,736)
Member distributions	-	-	(29,450,000)	(29,450,000)
Balance, December 31, 2015	100	(356,667)	97,595,582	97,239,015
Net income	-	-	26,714,854	26,714,854
Unrealized gain on appreciation of investments, net of taxes	-	596,783	-	596,783
Member distributions	-	-	(21,000,000)	(21,000,000)
Balance, December 31, 2016	$ 100	$ 240,116	$ 103,310,436	$ 103,550,652

See accompanying notes to consolidated financial statements.

Florida Peninsula Holdings, LLC
and Its Wholly Owned Subsidiaries

Consolidated Statements of Cash Flows

Year ended December 31,		**2016**		2015
Operating Activities				
Net Income	**$**	**26,714,854**	$	52,883,959
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation and amortization on fixed assets		**955,007**		911,112
Amortization on investments		**2,632,889**		2,793,592
Gain on sale of investments		**(2,921,121)**		(1,824,976)
Loss on disposition of fixed assets		**10,417**		-
Provision for deferred income taxes		**327,284**		1,166,879
Change in operating assets and liabilities:				
Accrued investment income		**(94,829)**		(58,657)
Premiums receivable		**(1,375,508)**		2,431,588
Reinsurance recoverable on paid losses		**(4,186,821)**		(1,525,050)
Reinsurance recoverable on unpaid losses		**(19,100,941)**		(16,124,976)
Prepaid reinsurance premiums		**(7,212,825)**		6,617,539
Deferred policy acquisition costs		**(2,282,733)**		(3,903,200)
Income tax recoverable		**(5,911,008)**		229,701
Other assets		**544,611**		(2,748,139)
Reserves for losses and loss adjustment expenses		**15,731,921**		(5,403,409)
Unearned premiums		**16,591,952**		(11,916,428)
Premiums collected in advance		**260,593**		(206,987)
Reinsurance premiums payable		**10,157,953**		(658,043)
Deferred ceding commission		**87,072**		4,802,940
Income taxes payable		**(4,624,355)**		2,249,835
Other liabilities		**2,241,128**		1,052,229
Net Cash From Operating Activities		**28,545,540**		30,769,509
Investing Activities				
Proceeds from sale and maturities of investments:				
Bonds		**118,509,387**		82,009,332
Stocks		**21,661,384**		2,399,176
Cash equivalents and short-term investments		**61,910,888**		81,187,889
Other invested assets		**81,084**		124,255
Cost of investments aquired:				
Bonds		**(130,381,928)**		(91,652,648)
Stocks		**(759,172)**		(11,764,603)
Cash equivalents and short-term investments		**(57,502,062)**		(82,609,940)
Cost of fixed assets aquired		**(600,406)**		(943,162)
Net Cash From (for) Investing Activities		**12,919,175**		(21,249,701)
Financing Activities				
Principal payments on notes payable		**(5,458,613)**		(5,100,107)
Member distributions		**(21,000,000)**		(29,450,000)
Net Cash for Financing Activities		**(26,458,613)**		(34,550,107)
Net Increase (decrease) in cash		**15,006,102**		(25,030,299)
Cash, beginning of year		**41,538,304**		66,568,603
Cash, end of year	**$**	**56,544,406**	$	41,538,304
Supplemental Cash Flow Information				
Cash paid for interest	**$**	**2,868,991**	$	3,100,019
Cash paid for income tax		**13,515,000**		9,970,000

See accompanying notes to consolidated financial statements.

1. Nature of Business and Significant Accounting Policies

Nature of Business

Florida Peninsula Holdings, LLC (FPH or the Company) is the holding company for a property and casualty insurance group domiciled in the State of Florida. FPH has four wholly owned subsidiaries: Florida Peninsula Insurance Company (FPI), Florida Peninsula Managers, LLC (FPM), The Windward Insurance Agency, LLC (Windward), and Florida Peninsula Claim Services, LLC (FPCS). FPI also has one wholly owned subsidiary, Edison Insurance Company (EIC). FPH and its consolidated subsidiaries are hereinafter collectively known as the Company.

FPM is the exclusive managing general agent (MGA) of FPI and EIC (the Insurance Companies). The Insurance Companies write all business through FPM. FPM provides policy processing for the Insurance Companies including writing, collecting and servicing the policies. The Insurance Companies pay a commission to FPM for expenses incurred. The MGA agreement is for a three-year period, with an option to renew for additional two-year periods. This agreement was last renewed September 1, 2014.

Windward is the agent of record for policies written by the Insurance Companies that do not have an agent of record on the date of the take-out pursuant to the Depopulation Plan. Additionally, they are a full service independent insurance agency that sells policies in various lines including homeowners, auto, flood, and personal umbrella.

FPCS acts as an independent adjusting firm and claims vendor for both FPI and EIC. FPCS provides field adjusting services, liability claims handling and resolution of theft claims.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries and have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) which, as to the insurance subsidiaries, may vary in some respects from the statutory accounting practices which are prescribed or permitted by the Florida Office of Insurance Regulation (OIR). All intercompany accounts and transactions have been eliminated in consolidation. The significant accounting policies followed by the Company and its subsidiaries are summarized below. Certain prior year balances have been reclassified to conform to the current year presentation.

Cash, Cash Equivalents and Short-Term Investments

Cash, cash equivalents and short-term investments include demand deposits with financial institutions and other highly liquid investments with original maturities of one year or less. These investments are principally stated at cost, which approximates fair value. Cash equivalents are considered investments for cash flow purposes.

Investments

Fixed maturities and equity securities are considered at the time of purchase as available-for-sale and are reported at fair value with unrealized gains and losses, net of deferred income taxes, included as a component of other comprehensive income within members' equity. Other invested assets are primarily senior floating rate loan funds classified as available-for-sale and carried at fair value.

Realized capital gains and losses on investments sold are determined using the specific identification method. Realized capital losses include write-downs for impairments considered to be other than temporary. The Company monitors its investment portfolio to identify investments that may be other-than-temporarily impaired. Investments that have significant unrealized losses are reviewed by management for indicators of other-than-temporary impairment.

Investment income is recognized as earned, net of related investment expenses.

Premiums

Premiums written are earned pro rata over the terms of the related policies and reinsurance contracts. Unearned premium liabilities are established for the unexpired portion of premiums written and are computed on a daily pro rata method for direct business.

Premium Receivables and Credit Procedures

Premium receivables are uncollateralized customer obligations due under full payment and installment terms requiring payment by the policy due date or installment due date. Premiums unpaid by the applicable due date are given advance notice of cancellation in accordance with each state's advance notice requirements. If premiums remain unpaid after the customer receives notice, the policy is cancelled.

Deferred Policy Acquisition Costs and Deferred Ceding Commissions

Deferred policy acquisition costs are expenses that vary with and are directly related to the successful acquisition of new and renewal business, such as commissions paid to agents and premium taxes. These costs are reduced for applicable ceding allowances and the net amount is amortized over the period during which the related premiums are earned (one year). The Company does not include investment income in its determination of premium deficiency reserves. Additional ceding commissions are recognized over the period consistent with the amortization of the related acquisition or reinsurance costs.

Reserves for Losses and Loss Adjustment Expenses

The liability for unpaid losses and loss adjustment expenses represents the estimated undiscounted liability on all claims outstanding, plus a liability for losses incurred but not reported as of the statement date. The liability for loss adjustment expenses is established as a percentage of the various classes of loss reserves. Such liabilities are necessary estimates and, while management believes that the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided.

The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in current operations as they occur. The reserve for losses and loss adjustment expenses is reported gross of reinsurance amounts recoverable from other insurance companies and anticipated salvage and subrogation recovery.

Reinsurance

Reinsurance premiums and amounts recoverable for ceded 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.

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Prepaid reinsurance premiums represent unearned premiums ceded to other insurance companies.

Reinsurance contracts do not relieve the Company from its primary obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk with respect to the individual reinsurer that participates in its ceded programs to minimize its exposure to significant losses from reinsurer insolvencies. The Company holds collateral as deemed appropriate to secure amounts recoverable from reinsurers.

Goodwill and Intangible Assets

In business combinations, including the acquisition of a group of assets, the Company allocates the purchase price to the net tangible and intangible assets acquired based on their relative fair values. Any portion of the purchase price in excess of this amount results in goodwill. Identifiable intangible assets with a finite useful life are amortized over the period that the asset is expected to contribute directly or indirectly to the future cash flows of the Company. Intangible assets and goodwill are subject to annual impairment testing or whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

Loan Costs

Loan costs are capitalized and amortized over the life of the loan. Deferred costs and amortization were immaterial as of and for the years ended December 31, 2016 and 2015.

Advertising

The Company expenses advertising costs as incurred. Advertising costs were immaterial as of and for the years ended December 31, 2016 and 2015.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed principally by the straight-line method over the estimated useful lives of the assets which generally range from three to seven years. The Company evaluates impairment of its property and equipment annually. Any items deemed to be impaired are charged to expense in the year in which the impairment occurs.

Amortization of leasehold improvements is provided on the straight-line method over the remaining term of the lease or the useful life of the improvement, whichever is shorter.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under that method, deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and the tax basis of assets and liabilities, and are measured using the enacted tax rates expected to be in effect when such amounts are realized or settled. Deferred tax assets are recorded net of valuation allowances, as deemed appropriate.

Uncertain Tax Positions

The Company follows the guidance of ASC 740-10-05, *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. This guidance prescribes a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management has evaluated all significant tax positions and determined that there are no situations where it is "more likely than not" that a position taken will not be upheld. Therefore, the Company has no liability recorded for uncertainty in income taxes. The Company's policy is to classify interest and penalties related to unrecognized tax positions in income before taxes. As of December 31, 2016 and 2015, the Company has no accrued interest or penalties related to unrecognized tax positions.

Other Comprehensive Income

Accumulated other comprehensive income is included within members' equity in the accompanying balance sheets and consists of changes in members' equity resulting from non-owner sources. Accumulated other comprehensive income as reported in the accompanying consolidated balance sheets represents unrealized gains and losses on available-for-sale securities, net of applicable income taxes.

Subsequent Events

The Company has evaluated all subsequent events through May 2, 2017, which is the date these financial statements were available to be issued.

Florida Peninsula Insurance Company declared and paid a dividend in the amount of $10,000,000 in January 2017.

Concentration of Risk

In 2016 and 2015, the Insurance Companies wrote homeowners' coverage in the State of Florida. The Insurance Companies' business could be impacted by negative effects of economic and political forces in Florida, continuing price pressure on new and renewal business, the ability to effectively manage expenses, market competition, and federal and state legislation or governmental regulations of insurance companies.

The Insurance Companies insure an area that is exposed to damage from hurricanes, tornadoes, hail and severe thunderstorms. The Insurance Companies purchase reinsurance to cover the 1:100 year Probable Maximum Loss from a loss by a hurricane as prescribed by Florida statute. However, a severe storm, depending on its path, could result in losses to the Insurance Companies exceeding its reinsurance protection and could have a material adverse effect on the financial condition and results of operations of the Company.

Following are the most significant risks facing property-casualty insurers:

Legal regulatory risk is the risk that changes in the legal or regulatory environment in which an insurer operates will change and create additional loss costs or expense not anticipated by the insurer in pricing its products. That is, regulatory initiatives designed to reduce insurer profits or new legal theories may create costs for the insurer beyond those currently recorded in the financial statements. As the Company only writes its insurance business in Florida, these risks might have a more significant impact on the Company than on a more geographically diversified insurance company.

Credit risk is the risk that issuers of securities owned by the Company will default, or other parties, including reinsurers that owe the Company money, will not pay. The Company minimizes this risk by adhering to a conservative investment strategy and by contracting with reinsurance companies that meet certain rating criteria and other qualifications. The Company also obtains letters of credit or other collateral from their reinsurers as deemed appropriate.

Interest rate risk is the risk that interest rates will change and cause a decrease in the value of an insurer's investments. The Company mitigates this risk by attempting to match the maturity schedule of its investments with the expected payout of its liabilities. To the extent that liabilities come due more quickly than investments mature, the Company would have to sell investments prior to maturity and recognize a gain or loss.

Reclassifications

Certain reclassifications have been made in the 2015 financial statements to conform to the classifications in the 2016 financial statements.

Use of Estimates

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 the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include those used in determining the carrying value of investments, liabilities for loss and loss adjustment expenses and related reinsurance recoveries, and deferred acquisition costs. Although the estimates are considered reasonable, actual results could differ from those estimates.

Recently Issued Accounting Standards Not Yet Adopted

Disclosures about Short-Duration Contracts -In May 2015, the FASB issued ASU 2015-09 which is aimed at providing users of financial statements with more transparent information about an insurance entity's initial claim estimates and subsequent adjustments to those estimates, methodologies and judgments in estimating claims, and the timing, frequency and severity of claims. The new disclosures are required for short duration insurance contracts issued by insurers. For private entities, this guidance will be effective for annual periods beginning after December 15, 2016. As this guidance is disclosure-related only, the adoption of this guidance is not expected to have a material impact on the Company's consolidated statements of income and comprehensive income and financial position but will result in expanded disclosures related to loss reserve development.

Recognition and Measurement of Financial Assets and Financial Liabilities -In January 2016, the FASB issued ASU 2016-01 that will change how entities measure certain equity investments and present changes in the fair value of financial liabilities measured under the fair value option that are attributable to their own credit. It does not change the guidance for classifying and measuring investments in debt securities. Under the new guidance, entities will have to measure many equity investments at fair value and recognize any changes in fair value in net income unless the investments qualify for the new practicability exception. This includes investments in partnerships, unincorporated joint ventures and limited liability companies that do not result in consolidation and are not accounted for under the equity method. Entities will no longer be able to recognize unrealized holding gains and losses on equity securities they classify today as AFS in AOCI. Entities also will no longer be able to use the cost method of accounting for equity securities that do not have readily determinable fair values. The guidance is effective for private business entities for fiscal years beginning after December 15, 2018. The impact on the Company is expected to be immaterial.

Leases - In February 2016, the FASB issued ASU 2016-02 to improve the financial reporting of leasing transactions. Under current guidance for lessees, leases are only included on the balance sheet if certain criteria, classifying the agreement as a capital lease, are met. This update will require the recognition of a right-of-use asset and a corresponding lease liability, discounted to the present value, for all leases that extend beyond 12 months. For operating leases, the asset and liability will be expensed over the lease term on a straight-line basis, with all cash flows included in the operating section of the statement of cash flows. For finance leases, interest on the lease liability will be recognized separately from the amortization of the right-of-use asset in the statement of comprehensive income and the repayment of the principal portion of the lease liability will be classified as a financing activity while the interest component will be included in the operating section of the statement of cash flows. ASU 2016-02 is effective for annual and interim reporting periods beginning after December 15, 2018. Early adoption is permitted. Upon adoption, leases will be recognized and measured at the beginning of the earliest period presented using a modified retrospective approach. The Company is currently evaluating the impact of the adoption of ASU 2016-02 on its consolidated financial statements.

Intangibles—Goodwill and Other: Simplifying the Test for Goodwill Impairment - In January 2017, the FASB issued ASU 2017-04. The provisions of this update simplify the subsequent measurement of goodwill by eliminating Step 2 from the quantitative analysis. For private entities, this guidance is effective for years beginning after December 15, 2021, including interim periods within those years. Early adoption is permitted after January 1, 2017. The Company has goodwill associated with one of the insurance subsidiaries and is subject to annual goodwill impairment testing. The adoption of this ASU is not expected to have an impact on the consolidated financial statements.

The remainder of this page intentionally left blank.

2. Investments

The amortized cost, gross unrealized gains and losses, and estimated fair value of investments in fixed maturities and preferred and common stocks are as follows:

December 31, 2016	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Bonds				
U.S. government	$ 24,642,452	$ 37,477	$ (911,229)	$ 23,768,700
States and political subdivisions	39,697,912	311,569	(725,613)	39,283,868
Corporate	109,727,610	3,103,682	(931,362)	111,899,930
Mortgage-Backed Securities				
U.S. government	15,015,669	30,430	(236,506)	14,809,593
Commercial	56,858,282	132,255	(322,809)	56,667,728
Total Bonds	$245,941,925	$ 3,615,413	$ (3,127,519)	$246,429,819
Preferred and Common Stocks	$ 2,242,740	$ 20,923	$ (32,225)	$ 2,231,438
Other Invested Assets	$ 12,509,171	$ -	$ (85,236)	$ 12,423,935
Cash Equivalents and Short-Term Investments	$ 1,647,072	$ 334	$ (573)	$ 1,646,833

December 31, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Bonds				
U.S. government	$ 17,973,914	$ 12,881	$ (139,566)	$ 17,847,229
States and political subdivisions	42,462,211	973,518	(79,567)	43,356,162
Corporate	123,451,053	2,431,457	(2,232,032)	123,650,478
Mortgage-Backed Securities				
U.S. government	1,658,808	25,669	(7,309)	1,677,168
States and political subdivisions	4,874,836	54,314	(11,478)	4,917,672
Commercial	43,150,850	57,415	(413,364)	42,794,901
Total Bonds	$233,571,672	$ 3,555,254	$ (2,883,316)	$234,243,610
Preferred and Common Stocks	$ 23,272,460	$ 925,146	$ (1,420,263)	$ 22,777,343
Other Invested Assets	$ 12,575,745	$ -	$ (758,061)	$ 11,817,684
Cash Equivalents and Short-Term Investments	$ 6,152,070	$ 974	$ (386)	$ 6,152,658

The amortized cost and estimated fair value of bonds at December 31, 2016, by contractual maturities, are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 12,715,444	$ 12,755,674
Due after one year through five years	97,575,168	98,984,484
Due after five years through ten years	79,642,535	78,699,171
Due after ten years	56,008,778	55,990,490
	$ 245,941,925	$ 246,429,819

Prepayment assumptions for mortgage-backed/asset-backed securities and collateralized mortgage obligations were generated using the purchase prepayment model. The purchase prepayment model uses a number of factors to estimate prepayment activity, including the time of year (seasonality), current levels of interest rates (refinancing incentives), economic activity (including housing turnover) and term and age of the underlying collateral (burnout, seasoning).

Proceeds from sales and maturities of investments in bonds during 2016 and 2015 and the related gross realized gains and losses on those sales were as follows:

Year ended December 31,	**2016**	2015
Proceeds	**$ 118,509,387**	$ 82,009,332
Gross gains	**3,071,906**	1,754,144
Gross losses	**(483,011)**	(373,805)

There were no other-than-temporary write-downs in 2016 or 2015.

The following tables are an analysis of the fair values and gross unrealized losses aggregated by category and length of time that the securities have been in the unrealized loss position.

	Less Than 12 Months			12 Months or Greater		
December 31, 2016	Estimated Fair Value	Unrealized Losses	# of Issuers	Estimated Fair Value	Unrealized Losses	# of Issuers
U.S. government	$ 20,397,320	$ (911,229)	34	$ -	$ -	-
State and political subdivisions	21,247,867	(725,613)	37	-	-	-
Corporate bonds	39,151,769	(540,196)	183	4,637,663	(391,166)	27
Mortgage-backed securities	41,073,442	(518,422)	103	3,341,783	(40,893)	13
Preferred and common stocks	979,794	(32,225)	10	-	-	-
Other invested assets	-	-	-	12,423,953	(85,236)	1
Total	$ 122,850,192	$ (2,727,685)		$ 20,403,399	$ (517,295)	

	Less Than 12 Months			12 Months or Greater		
December 31, 2015	Estimated Fair Value	Unrealized Losses	# of Issuers	Estimated Fair Value	Unrealized Losses	# of Issuers
U.S. government	$ 13,501,864	$ (136,265)	17	$ 498,975	$ (3,301)	1
State and political subdivisions	13,815,383	(79,567)	15	-	-	-
Corporate bonds	77,423,734	(1,865,131)	180	4,113,367	(366,901)	16
Mortgage-backed securities	37,809,618	(343,014)	78	1,761,892	(89,137)	8
Preferred and common stocks	10,673,718	(1,127,795)	8	1,005,711	(292,468)	1
Other invested assets	-	-	-	11,817,684	(758,061)	34
Total	$153,224,317	$ (3,551,772)		$ 19,197,629	$ (1,509,868)	

Through the Company's comprehensive evaluation, management concluded that the unrealized losses at December 31, 2016 and 2015 were caused by interest rate and temporary market fluctuations. At December 31, 2016 and 2015, the aggregate of unrealized losses related to securities rated below investment grade was not material. Based on the Company's impairment review process, the decline in value of these investments is not considered to be other-than-temporary.

The Company has no securities with an other-than-temporary impairment wherein the Company has (a) an intent to sell or (b) an inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis.

The Company is required to maintain a certain amount of investments on deposit with the Office of Insurance Regulation of the State of Florida and the Department of Insurance of South Carolina. At December 31, 2016 and 2015, the approximate statement value of these investments was $824,744 and $818,925, respectively. As such, these items are not available for current use unless replaced by an investment with a similar value.

Fair Value Measurements

The Company has categorized its recurring basis financial instruments based on the priority of the inputs to the valuation technique into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The inputs used to measure fair value may fall into different levels in the fair value hierarchy. The level within which the fair value measurement in its entirety falls have been determined based on the lowest level input that is significant to the fair value measurement in its entirely. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The Company has identified and disclosed its financial assets in a fair value hierarchy, which consists of the following three levels:

Level 1 inputs utilize quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Actively traded is defined as securities that have traded within the past seven business days. Examples include a listed equity or fixed income security traded on an exchange.

Level 2 inputs utilize indirect observable inputs including prices for similar assets and market corroborated inputs. Examples would include asset-backed and mortgage-backed securities similar to other asset-backed and mortgage-backed securities observed in the market.

Level 3 inputs are unobservable but are significant to the fair value measurement for the asset, and include situations where there is little, if any, market activity for the asset. These inputs reflect management's own assumptions about the assumptions a market participant would use, including assumptions about risk. Examples would include a private placement with minimal liquidity or a complex derivative.

The following tables present the Company's fair value hierarchy:

December 31, 2016	Level 1	Level 2	Level 3	Total
Bonds				
U.S Government	$ 23,768,700	$ -	$ -	$ 23,768,700
States and political subdivisions	-	39,283,868	-	39,283,868
Corporate	-	111,899,930	-	111,899,930
Mortgage-Backed Securities				
States and political subdivisions	-	14,809,593	-	14,809,593
Commercial	-	56,667,728	-	56,667,728
Total Bonds	$ 23,768,700	$ 222,661,119	$ -	$ 246,429,819
Preferred and Common Stocks	$ -	$ 2,231,438	$ -	$ 2,231,438
Other Invested Assets	$ -	$ 12,423,935	$ -	$ 12,423,935
Cash Equivalents and Short-Term Investments	$ -	$ 1,646,833	$ -	$ 1,646,833

The remainder of this page intentionally left blank.

December 31, 2015	Level 1	Level 2	Level 3	Total
Bonds				
U.S Government	$ 16,645,792	$ 1,201,437	$ -	$ 17,847,229
States and political subdivisions	-	43,356,162	-	43,356,162
Corporate	7,910,910	115,739,568	-	123,650,478
Mortgage-Backed Securities				
U.S. Government	-	1,677,168	-	1,677,168
States and political subdivisions	-	4,917,672	-	4,917,672
Commercial	-	42,794,901	-	42,794,901
Total Bonds	$ 24,556,702	$ 209,686,908	$ -	$ 234,243,610
Preferred and Common Stocks	$ 19,880,956	$ 2,896,387	$ -	$ 22,777,343
Other Invested Assets	$ -	$ 11,817,684	$ -	$ 11,817,684
Cash Equivalents and Short-Term Investments	$ 3,902,287	$ 2,250,371	$ -	$ 6,152,658

There were no transfers into or out of Level 2 or Level 3 investments or changes in fair value measurement approach in 2016.

The other financial instruments carried at fair value are cash, receivables and payables. The carrying value of these financial instruments approximates fair value due to their short-term nature.

The fair value of the Company's notes payable approximates the carrying value based on the current rates offered to the Company for debt of similar maturities and interest rates.

The details of investment income, net of investment expenses, are as follows:

Year ended December 31,	**2016**	2015
Bonds	**$ 4,417,516**	$ 4,050,228
Preferred and common stocks	**296,103**	1,242,613
Other invested assets	**500,751**	-
Cash and cash equivalents	**75,422**	61,305
Gross investment income	**5,289,792**	5,354,146
Investment expenses	**(952,151)**	(898,222)
Net Investment Income	**$ 4,337,641**	$ 4,455,924

3. Reinsurance

Certain premiums and losses are ceded to other insurance companies through various excess of loss reinsurance agreements. The ceded reinsurance agreements are intended to provide the Company with the ability to maintain its exposure to losses within its capital resources. The treaties are effective June 1, 2016 to May 31, 2017. On November 1, 2014, the Company entered into a quota share agreement ceding 40% of its net liability to a group of unaffiliated reinsurers. The quota share is effective through November 1, 2017 unless otherwise commuted.

These reinsurance agreements do not relieve the Company from its primary obligation to policyholders, as it remains liable to its policyholders to the extent that any reinsurer does not meet its obligations for reinsurance ceded to it under reinsurance contracts. The Company minimized this credit exposure by requiring lines of credit and by monitoring the financial stability of its reinsurers.

Therefore, the Company is subject to credit risk with respect to the obligations of its reinsurers, and any failure on the part of these reinsurers could have a material adverse effect on the Company's business, financial condition and results of operations.

To minimize the Company's exposure to losses from catastrophes, primarily hurricanes, the Company has entered into various catastrophe excess of loss agreements, in addition to its mandatory participation in the FHCF.

The Company's catastrophe reinsurance is intended to provide the following coverage in the event of a named hurricane for those policies assumed by the Company in connection with the Company's Takeout Premiums with Citizens, including renewals of these policies, and to direct policies written during the term of the contract.

For the treaty period June 1, 2016 through May 31, 2017, the primary catastrophe excess of loss reinsurance agreement has the following retention and limits:

	Coverage	In Excess Of	Participation
1st layer	$ 45,000,000	$ 25,000,000	100%
2nd layer	98,000,000	70,000,000	100
3rd layer	48,000,000	168,000,000	100

Additionally, on June 1, 2016, the Company purchased two 100% excess of loss top and drop contracts that provide $31,000,000 in excess of $12,000,000 and $25,000,000 in excess of $12,000,000 for coverage of aggregate direct losses incurred for the period.

For the treaty period June 1, 2015 through May 31, 2016, the primary catastrophe excess of loss reinsurance agreement has the following retention and limits:

	Coverage	In Excess Of	Participation
1st layer	$ 45,000,000	$ 25,000,000	100%
2nd layer	98,000,000	70,000,000	100
3rd layer	48,000,000	168,000,000	100

Additionally, on June 1, 2015, the Company purchased two 100% excess of loss top and drop contracts that provide $31,000,000 in excess of $12,000,000 and $45,000,000 in excess of $12,000,000 for coverage of aggregate direct losses incurred for the period.

In 2015, the Company reduced its coverage option in the FHCF from 90% to 45% and chose to place the other 45% in the private market. The ultimate net loss for each of the above layers will include any recoveries from the FHCF or so deemed. The FHCF provides catastrophe coverage for named hurricanes up to a maximum limit of 45% of the amount of ultimate losses in the layer as determined by a premium formula. The Company's projected maximum payout from the FHCF is $253,645,558 and $228,923,823 with retention of $173,389,762 and $161,487,352 for the 2016/2017 and 2015/2016 catastrophe periods, respectively. The privately placed FHCF, which provides coverage for both FPI and its wholly owned subsidiary, Edison Insurance Company, has a liability limit of $225,247,709, with retention of $173,389,762.

In 2016 and 2015, the Company entered into a reinstatement premium protection arrangement in respect of the Company's multi-layer catastrophe excess of loss contracts as described above.

The effects of reinsurance on premiums written and earned are as follows:

	2016		2015	
Year ended December 31,	**Written**	**Earned**	Written	Earned
Direct and assumed premiums	**$ 301,084,834**	**$ 284,492,883**	$ 273,953,661	$ 285,870,089
Ceded premiums	**(163,470,364)**	**(156,257,540)**	(151,242,914)	(157,860,452)
Net Premiums	**$ 137,614,470**	**$ 128,235,343**	$ 122,710,747	$ 128,009,637

The Company had ceded losses and loss adjustment expenses of $57,547,674 and $36,738,040 in 2016 and 2015, respectively.

4. Fixed Assets

Fixed assets as of December 31, 2016 and 2015 are summarized as follows:

December 31,	**2016**	2015
Leasehold improvements	**$ 499,893**	$ 491,285
Furniture and fixtures	**748,201**	821,441
Edison startup	**984,474**	984,474
Website development	**355,530**	70,275
EDP equipment and software	**1,978,231**	1,983,517
	4,566,329	4,350,992
Less accumulated depreciation and amortization	**(2,422,967)**	(1,842,611)
	$ 2,143,362	$ 2,508,381

Depreciation and amortization expenses for the years ended December 31, 2016 and 2015 were $955,007 and $911,112, respectively.

5. Income Taxes

The insurance companies file a consolidated 1120PC federal income tax return as C corporations. FPH, FPM, FPCS and WIA are limited liability companies and any taxable income is taxed to the members at their personal level.

Total income tax expense is comprised of the following:

Year ended December 31,	**2016**	2015
Current income tax expense	**$ 2,138,025**	$13,166,186
Change in deferred income tax benefit	**327,284**	1,166,879
Prior year (over) under accrual of income tax	**841,611**	(716,649)
Total Income Tax Expense	**$ 3,306,920**	$13,616,416

The components of the Insurance Companies' net deferred income tax assets and deferred tax liabilities are as follows:

December 31,	**2016**	2015
Total of all deferred tax assets	**$ 8,148,833**	$ 7,773,722
Total of all deferred tax liabilities	**4,197,024**	3,119,334
Net Deferred Income Tax Asset	**$ 3,951,809**	$ 4,654,388

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

December 31,	**2016**	2015
Deferred tax assets		
Discounting of unpaid losses	**$ 1,755,361**	$ 1,890,212
Unearned premiums reserve	**5,875,187**	5,590,263
Net operating losses	**5,577,743**	5,577,743
Unrealized loss	**-**	224,294
Other	**518,285**	68,953
Less valuation allowance	**(5,577,743)**	(5,577,743)
Total deferred tax assets	**8,148,833**	7,773,722
Deferred tax liabilities		
Unrealized gain	**151,001**	-
Deferred acquisition costs	**3,758,094**	2,910,405
Other	**287,929**	208,929
Total deferred tax liabilities	**4,197,024**	3,119,334
Net Deferred Income Tax Asset	**$ 3,951,809**	$ 4,654,388

The Company's actual income tax rates, expressed as a percent of net income before income tax expense, vary from statutory federal income tax rates due to the following:

	2016		2015	
Year ended December 31,	**Amount**	**Rate**	Amount	Rate
Income before taxes	**$ 30,021,774**		$ 66,500,375	
Members' income taxed at personal level	**(21,983,423)**		(29,274,827)	
Insurance companies income before taxes	**8,038,351**		37,225,548	
Income tax expense at statutory rate	**2,813,423**	**35%**	13,028,942	35%
Meals and entertainment	**1,240**		124	
State income tax	**374,630**		1,163,290	
Other	**(723,984)**		140,711	
True-up related to prior years	**841,611**		(716,649)	
Income Tax Expense	**$ 3,306,920**	**41%**	$ 13,616,416	37%

At December 31, 2016, Edison had unused operating loss carryforwards of approximately $14,447,303 available to offset against future taxable income. However, because of limitations on the utilization of these loss carryforwards due to change in control provisions, it is considered more likely than not that these loss carryforwards will not be utilized and therefore a valuation allowance has been recorded against the deferred tax asset.

The remainder of this page intentionally left blank.

6. Loss and Loss Adjustment Expenses

Activity in the reserve for loss and loss adjustment expenses is summarized as follows:

	2016	2015
Balances at January 1	**$118,645,857**	$124,191,273
Less reinsurance recoverables	**(22,865,787)**	(6,740,811)
Net balances at January 1	**95,780,070**	117,450,462
Incurred related to		
Current year	**70,078,063**	46,170,561
Prior years	**3,054,540**	(6,255,031)
Total incurred	**73,132,603**	39,915,530
Paid related to		
Current year	**32,911,673**	19,304,278
Prior years	**43,509,951**	42,281,644
Total paid	**76,421,624**	61,585,922
Net balances at December 31	**92,411,049**	95,780,070
Plus reinsurance recoverables	**41,966,728**	22,865,787
Balances at December 31	**$134,377,777**	$118,645,857

As a result of changes in estimates of insured events in prior years, the provision of losses and loss adjustment expenses increased by $3,054,540 and decreased by $6,255,031 in 2016 and 2015, respectively. Typically, increases or decreases of this nature occur as the result of claim settlements during the current year, and additional information received regarding individual claims causing changes from the original estimates of the cost of these claims. Recent loss development trends are also taken into account in evaluating the overall adequacy of unpaid losses and loss adjustment expenses.

The remainder of this page intentionally left blank.

7. Deferred Policy Acquisition Costs

Deferred policy acquisition costs consist of amounts paid for commissions, premium taxes, and certain management fees to the servicing companies net of ceding commissions received from the reinsurers. The policy acquisition costs net of ceding commissions that the Company has capitalized and is amortizing over the effective periods of the related policies are as follows:

December 31,	**2016**	2015
Deferred policy acquisition costs at beginning of year	**$ 7,538,443**	$ 8,438,183
Net policy acquisition costs capitalized	**47,786,642**	41,138,178
Net policy acquisition costs amortized	**(45,590,981)**	(42,037,918)
Net Deferred Policy Acquisition Costs at End of Year	**$ 9,734,104**	$ 7,538,443
Gross deferred policy acquisition costs	**$ 14,624,116**	$ 12,341,383
Less deferred ceding commission	**(4,890,012)**	(4,802,940)
Net Deferred Policy Acquisition Costs	**$ 9,734,104**	$ 7,538,443

Amortization of deferred policy acquisition costs, net of related ceding commissions, of $45,590,981 and $42,037,918 for the years ended December 31, 2016 and 2015, respectively, is included in other operating costs and expenses on the consolidated statements of income.

8. Members' Equity

FPH has Class A, Class B and Class C members. The members participate in distributions from FPH in relation to their membership interest, as described in the membership agreement.

Dividend Restrictions and Minimum Capital Requirements for Property and Casualty Insurers

Under Florida law, insurance companies may pay dividends only out of available and accumulated surplus funds derived from realized net operating profits on their business and net realized capital gains, subject to approval of the Florida Office of Insurance Regulation.

The Insurance Subsidiaries may pay approximately the following amount of dividends without regulatory approval in 2017:

Florida Peninsula Insurance Company	$ 13,054,158
Edison Insurance Company	-

As of December 31, 2016 and 2015, FPI's statutory capital and surplus was $130,541,584 and $127,901,551, respectively, which exceeded the minimum required surplus as regulated by Florida Statute Section 624.408 that requires the Insurance Companies to maintain a minimum level of surplus of not less than the greater of 10% of their total liabilities or $4,000,000. FPI reported statutory net income of $3,134,256 and $26,290,262 for the years ended December 31, 2016 and 2015, respectively.

As of December 31, 2016 and 2015, EIC's statutory capital and surplus was $21,210,658 and $20,151,254, respectively. EIC reported statutory net income of $133,610 and loss of $181,781 for the years ended December 31, 2016 and 2015, respectively.

Per the consent order issued by the OIR (Case #108190-09-CO) on December 31, 2009, item #15 states that FPI shall maintain no less than $4,000,000 in surplus for Edison Insurance Company at December 31, 2009. It further states that the $4,000,000 level may be maintained so long as Edison Insurance Company does not write any new business without approval from the OIR. Effective September 18, 2014, the OIR issued a consent order (Case #160267-14-CO) allowing Edison to resume writing new residential property insurance policies in the State of Florida. During 2014, FPI contributed, in the form of a surplus note, $16,000,000 of surplus into Edison as item #7 of the consent order allows. Both Florida Peninsula Insurance and Edison Insurance Company maintain surplus as regards to policyholders as required by Section 624.408, Florida Statutes.

Risk-Based Capital

FPI and EIC are required to comply with the NAIC risk-based capital (RBC) requirements. RBC is a method of measuring the amount of capital appropriate for an insurance company to support its overall business operations in light of its size and risk profile. At December 31, 2016 and 2015, FPI's and EIC's total adjusted capital exceeds the risk-based capital company action level.

9. Goodwill

Goodwill was $3,479,391 as of December 31, 2016 and 2015. The Company recorded this goodwill as a result of the acquisition of Edison Insurance Group in 2010. The Company's goodwill at December 31, 2016 and 2015 is attributable to the book of policies along with the insurance company shell obtained as part of the purchase.

Goodwill is assessed for impairment on an annual basis and at any other time if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting segment below its carrying amount. Any potential impairment is identified by comparing the fair value of a reporting unit to its carrying value. If the fair value of the reporting segment exceeds its carrying value, goodwill is considered not to be impaired. If the carrying value of the reporting segment exceeds its fair value, a more detailed goodwill impairment assessment must be undertaken. A goodwill impairment charge is recognized to the extent that, at the reporting unit level, the carrying value of goodwill exceeds the implied fair value.

The Company assessed goodwill associated with its reporting units for recoverability at December 31, 2016 and 2015. Based on the assessment performed, the Company concluded that goodwill was recoverable at December 31, 2016 and 2015.

10. Limited Liability Company

Because FPH, FPCS, FPM and Windward are limited liability companies, no member, manager, agent or employee of the companies shall be personally liable for the debts, obligations or liabilities of the companies, whether arising in contract, tort or otherwise, or for the acts of omissions of any other member, director, manager, agent or employee of the companies, unless the individual has signed a specific personal guarantee. The duration of FPH, FPCS, FPM and Windward is perpetual.

11. Commitments and Contingencies

FPM entered into a Master Business Process Outsourcing Services Agreement with Computer Sciences Corporation (CSC) effective January 1, 2008 for a period of six years from the date of live processing, whereby the Company grants authority to CSC to provide insurance office support, computer software programming and data processing services. An addendum effective March 28, 2013 extended the contract for six additional years through December 31, 2020. FPM incurred expenses of $10,817,806 and $10,371,242 as of December 31, 2016 and 2015, respectively, under this agreement.

The Company is subject to assessments by a Florida guaranty fund and residual market pool. The activities of these entities include collecting funds from solvent insurance companies to cover losses resulting from the insolvency or rehabilitation of other insurance companies, or deficits generated by the state residual market pools such as Citizens.

The Company's policy is to recognize its obligation for assessments when the Company has information available to reasonably estimate its liability. Guaranty fund assessments generally are available for recoupment from policyholders and, as such, amounts assessed are recorded as a recoverable asset. During 2016 and 2015, the Company did not receive any guaranty fund assessments nor were any related amounts payable at December 31, 2016 and 2015. Additionally, at December 31, 2016 and 2015, the Company recorded a recoupment receivable of $0 and $24,574, respectively, from policyholders relating to the assessments.

12. Notes Payable

Notes payable are summarized as follows:

December 31,	**2016**	2015
Note payable to Twelve Capital AG, payable in monthly principal payments plus interest at a variable rate of LIBOR plus 7% per annum (but in no event greater than 10%) beginning May 15, 2014 (effectively 7.858% at December 31, 2016) and the remaining balance due in full on May 15, 2024. Interest expense in 2016 and 2015 was $1,629,359 and $1,828,762, respectively.	**$ 20,139,729**	$ 22,237,591
Note payable to Transatlantic Reinsurance Company, payable in monthly principal payments plus interest at a fixed rate of 8% per annum, beginning June 15, 2014 and the remaining balance due in full on May 15, 2024. Interest expense in 2016 and 2015 was $1,024,980 and $1,161,520, respectively.	**12,194,051**	13,348,918
Surplus note payable to the State Board of Administration of Florida, payable quarterly, with interest at a rate equivalent to the 10-year U.S. Treasury Bond rate (effectively 1.56% at December 31, 2016), with the remaining balance due in full on September 30, 2021. Payments made during the first eleven quarters of the note will represent interest-only payments. Interest expense in 2016 and 2015 was $218,549 and $304,362, respectively.	**10,477,940**	12,683,824
	$ 42,811,720	$ 48,270,333

The following are maturities of notes payable for each of the next five years and thereafter:

Year ending December 31,		
2017	$	5,354,387
2018		5,793,664
2019		6,091,399
2020		6,411,928
2021		6,211,525
Thereafter		12,948,817
	$	42,811,720

The Company's debt agreements with Transatlantic Reinsurance Company and Twelve Capital AG contains certain restrictions and covenants, as follows, with which the Company was in compliance as of December 31, 2016:

(i) The Company must maintain a combined Debt to Capital Ratio no greater than 50%.
(ii) The Company must maintain Debt Service Coverage Ratio of no less than 200%.

13. Leases

The Company is party to various lease agreements with unrelated parties. The minimum future rental payments under these leases at December 31, 2016 were as follows:

Year ending December 31,		
2017	$	627,227
2018		427,497
2019		421,000
2020		139,549
	$	1,615,273

The Company incurred rent expense, including charges for operating expenses and taxes, of $784,006 and $735,804 for the years ended December 31, 2016 and 2015, respectively.

14. Retirement Plan

The Company has a retirement savings 401(k) plan in which substantially all employees may participate. The Company matches employees' contributions up to a maximum of 4% of the employees' contributions and also can elect to make discretionary contributions. The Company made contributions to the plan of $272,177 and $267,464 for the years ended December 31, 2016 and 2015, respectively.

Supplementary Information

Tel: 616-774-7000
Fax: 616-776-3680
www.bdo.com

200 Ottawa Avenue NW, Suite 300
Grand Rapids, MI 49503

Independent Auditor's Report on Supplementary Information

Our audits of the financial statements included in the preceding section of this report were conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BDO USA, LLP

May 2, 2017

Florida Peninsula Holdings, LLC
and Its Wholly Owned Subsidiaries

Consolidating Balance Sheet

December 31, 2016	Florida Peninsula Holdings, LLC	Florida Peninsula Managers, LLC	Florida Peninsula Claim Services, LLC	The Windward Insurance Agency, LLC	Florida Peninsula Insurance Company	Edison Insurance Company	Intercompany Elimination	Consolidated
Assets								
Investments, at fair value								
Investments in subsidiaries	$ 49,000,000	$ -	$ -	$ -	$ 6,588,585	$ -	$ (55,588,585)	$ -
Cash equivalents and short term investments	-	-	-	-	610,652	1,036,181	-	1,646,833
Bonds	-	-	-	-	218,329,539	28,100,280	-	246,429,819
Preferred and common stocks	-	-	-	-	2,231,438	-	-	2,231,438
Other invested assets	-	-	-	-	28,423,935	-	(16,000,000)	12,423,935
Total investments, at fair value	49,000,000	-	-	-	256,184,149	29,136,461	(71,588,585)	262,732,025
Cash	178,213	5,472,993	570,153	28,204	34,870,159	15,424,684	-	56,544,406
Accrued investment income	-	-	-	-	1,417,369	155,022	-	1,572,391
Premiums receivable	-	-	-	-	11,363,422	2,818,381	-	14,181,803
Reinsurance recoverable on paid losses	-	-	-	-	5,412,456	812,215	-	6,224,671
Reinsurance recoverable on unpaid losses	-	-	-	-	36,988,834	4,977,894	-	41,966,728
Prepaid reinsurance premiums	-	-	-	-	66,365,860	11,113,472	-	77,479,332
Deferred policy acquisition costs	-	-	-	-	12,334,116	2,290,000	-	14,624,116
Income taxes recoverable	-	-	-	-	6,033,767	(122,759)	-	5,911,008
Deferred income tax asset, net	-	-	-	-	3,162,138	789,671	-	3,951,809
Goodwill	2,604,391	-	-	-	875,000	-	-	3,479,391
Intercompany receivable	5,699,861	627,337	-	-	833,929	-	(7,161,127)	-
Fixed assets, net	-	2,141,896	1,466	-	-	-	-	2,143,362
Other assets	76,998	1,488,445	137,621	20,981	1,542,787	78,233	(134,115)	3,210,950
Total Assets	$ 57,559,463	$ 9,730,671	$ 709,240	$ 49,185	$ 437,383,986	$ 67,473,274	$ (78,883,827)	$ 494,021,992
Liabilities and Members' Equity								
Liabilities								
Reserves for losses and loss adjustment expenses	$ -	$ -	$ -	$ -	$ 123,771,587	$ 10,729,421	$ (123,231)	$ 134,377,777
Unearned premiums	-	-	-	-	125,865,874	27,702,129	-	153,568,003
Premiums collected in advance	-	-	-	-	5,335,972	613,727	-	5,949,699
Reinsurance premiums payable	-	-	-	-	37,901,809	3,874,427	-	41,776,236
Deferred ceding commission	-	-	-	-	4,124,282	765,730	-	4,890,012
Notes payable	32,333,780	-	-	-	10,477,940	16,000,000	(16,000,000)	42,811,720
Intercompany payable	-	5,699,861	100,989	46,753	220,057	1,093,467	(7,161,127)	-
Other liabilities	42,764	5,436,118	61,784	7,205	1,196,261	364,645	(10,884)	7,097,893
Total liabilities	32,376,544	11,135,979	162,773	53,958	308,893,782	61,143,546	(23,295,242)	390,471,340
Members' Equity								
Class A members' capital	50	-	-	-	2,000,000	3,500,000	(5,500,000)	50
Class B members' capital	50	-	-	-	47,000,000	18,883,043	(65,883,043)	50
Accumulated other comprehensive income (loss), net of tax	-	-	-	-	21,531	(100,876)	319,461	240,116
Retained earnings (deficit)	25,182,819	(1,405,308)	546,467	(4,773)	79,468,673	(15,952,439)	15,474,997	103,310,436
Total members' equity	25,182,919	(1,405,308)	546,467	(4,773)	128,490,204	6,329,728	(55,588,585)	103,550,652
Total Liabilities and Members' Equity	$ 57,559,463	$ 9,730,671	$ 709,240	$ 49,185	$ 437,383,986	$ 67,473,274	$ (78,883,827)	$ 494,021,992

See accompanying notes to consolidated financial statements.

Florida Peninsula Holdings, LLC
and Its Wholly Owned Subsidiaries

Consolidating Statement of Income and Comprehensive Income (Lender Requested Format)

Year Ended December 31, 2016	Florida Peninsula Holdings, LLC	Florida Peninsula Managers, LLC	Florida Peninsula Claim Services, LLC	The Windward Insurance Agency, LLC	Florida Peninsula Insurance Company	Edison Insurance Company	Intercompany Elimination	Consolidated
Revenues								
Premiums earned	$ -	$ -	$ -	$ -	$ 112,529,455	$ 15,705,888	$ -	$ 128,235,343
Net investment income	-	1,115	-	-	4,958,182	258,344	(880,000)	4,337,641
Net realized gain	-	-	-	-	2,919,835	1,286	-	2,921,121
Commission income	-	85,228,254	-	-	-	-	(85,228,254)	-
Miscellaneous income	-	2,627,313	2,979,965	248,010	1,783,986	158,594	(5,798,146)	1,999,722
Total revenues	-	87,856,682	2,979,965	248,010	122,191,458	16,124,112	(91,906,400)	137,493,827
Losses and Expenses								
Losses and loss adjustment expenses incurred	-	-	-	-	79,432,432	11,020,385	(17,320,214)	73,132,603
Other operating costs and expenses	9,233	62,711,334	2,481,759	289,564	37,692,436	1,033,415	(73,706,186)	30,511,555
Total losses and expenses	9,233	62,711,334	2,481,759	289,564	117,124,868	12,053,800	(91,026,400)	103,644,158
EBITDA (Earnings (losses) before interest, tax, depreciation and amortization)	(9,233)	25,145,348	498,206	(41,554)	5,066,590	4,070,312	(880,000)	33,849,669
Depreciation expense	-	531,342	1,253	-	-	-	-	532,595
Amortization expense	10,382	412,030	-	-	-	-	-	422,412
Interest expense	2,654,339	-	-	-	218,549	880,000	(880,000)	2,872,888
Income (loss) before income tax expense	(2,673,954)	24,201,976	496,953	(41,554)	4,848,041	3,190,312	-	30,021,774
Income tax expense	-	-	-	-	2,063,991	1,242,929	-	3,306,920
Net income (loss)	(2,673,954)	24,201,976	496,953	(41,554)	2,784,050	1,947,383	-	26,714,854
Comprehensive income (loss)								
Unrealized gain (loss) on appreciation (depreciation) of investments	-	-	-	-	3,631,692	(60,439)	-	3,571,253
Adjustment for reclassification of net realized gains (losses) recognized in net income	-	-	-	-	(2,599,322)	147	-	(2,599,175)
Tax impact	-	-	-	-	(403,055)	27,760	-	(375,295)
Total Comprehensive Income (Loss)	$ (2,673,954)	$ 24,201,976	$ 496,953	$ (41,554)	$ 3,413,365	$ 1,914,851	$ -	$ 27,311,637

See accompanying notes to consolidated financial statements.

Florida Peninsula Holdings, LLC
and Its Wholly Owned Subsidiaries

Statements of Income and Comprehensive Income (Lender Requested Format)

Year ended December 31,		**2016**		2015
Revenues				
Premiums earned	**$**	**128,235,343**	$	128,009,637
Net investment income		**4,337,641**		4,455,924
Net realized gain		**2,921,121**		1,824,976
Miscellaneous income		**1,999,722**		2,961,340
Total revenues		**137,493,827**		137,251,877
Losses and Expenses				
Losses and loss adjustment expenses incurred		**73,132,603**		39,915,530
Other operating costs and expenses		**30,511,555**		26,630,216
Total losses and expenses		**103,644,158**		66,545,746
EBITDA (Earnings before interest, tax, depreciation and amortization)		**33,849,669**		70,706,131
Depreciation expense		**532,595**		531,437
Amortization expense		**422,412**		379,675
Interest expense		**2,872,888**		3,294,644
Income before income tax expense		**30,021,774**		66,500,375
Income tax expense		**3,306,920**		13,616,416
Net income		**26,714,854**		52,883,959
Other comprehensive income (loss)				
Unrealized gain (loss) on appreciation (depreciation) of investments		**3,571,253**		(2,977,042)
Adjustment for reclassification of net realized gains (losses) recognized in net income		**(2,599,175)**		(1,705,510)
Tax impact		**(375,295)**		1,807,816
Total Comprehensive Income	**$**	**27,311,637**	$	50,009,223

See accompanying notes to consolidated financial statements.