# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON D.C. 20549**

# Form 10-Q

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

**For the quarterly period ended March 31, 2019**

**OR**

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

**Commission File Number**
**001-36462**

# Heritage Insurance Holdings, Inc.
**(Exact name of Registrant as specified in its charter)**

| **Delaware** | **45-5338504** |
|---|---|
| **(State of Incorporation)** | **(IRS Employer Identification No.)** |

**2600 McCormick Drive, Suite 300**
**Clearwater, Florida 33759**
**(Address, including zip code, of principal executive offices)**

**(727) 362-7200**
**(Registrant's telephone number, including area code)**

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 | ☐ | Accelerated filer | ☒ | Emerging growth company | ☒ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ | | |

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

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

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 $0.0001 per share | HRTG | New York Stock Exchange |

The aggregate number of shares of the Registrant's Common Stock outstanding on May 5, 2019 was 30,013,018

**HERITAGE INSURANCE HOLDINGS, INC.**
**Table of Contents**

## FORWARD-LOOKING STATEMENTS

Statements in this Quarterly Report on Form 10-Q ("Form 10-Q") or in documents incorporated by reference that are not historical facts are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements about (i) our ability to meet our investment objectives and to manage and mitigate market risk with respect to our investments; (ii) the adequacy of our reinsurance program and our ability to diversify risk and safeguard our financial position; (iii) our estimates with respect to tax matters; (iv) future dividends, if any; (v) our estimates regarding certain accounting matters; (vi) the sufficiency of our liquidity to pay our insurance company affiliates' claims and expenses, as well as to satisfy commitments in the event of unforeseen events; (vii) the sufficiency of our capital resources, together with cash provided from our operations, to meet currently anticipated working capital requirements; and (viii) the potential effects of our current legal proceedings.

These statements are based on current expectations, estimates and projections about the industry and market in which we operate, and management's beliefs and assumptions. Without limiting the generality of the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "would," "estimate," or "continue" or the negative variations thereof or comparable terminology are intended to identify forward-looking statements. Forward-looking statements are not guarantees of future performance and involve certain known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. The risks and uncertainties include, without limitation:

- the possibility that actual losses may exceed reserves;
- the concentration of our business in coastal states, which could be impacted by hurricane losses or other significant weather-related events such as northeastern winter storms;
- our exposure to catastrophic weather events;
- the fluctuation in our results of operations;
- increased costs of reinsurance, non-availability of reinsurance, and non-collectability of reinsurance;
- our failure to identify suitable acquisition candidates; effectively manage our growth and integrate acquired companies;
- increased competition, competitive pressures, and market conditions;
- our failure to accurately price the risks we underwrite;
- inherent uncertainty of our models and our reliance on such model as a tool to evaluate risk;
- the failure of our claims department to effectively manage or remediate claims;
- low renewal rates and failure of such renewals to meet our expectations;
- our failure to execute our diversification strategy;
- failure of our information technology systems and unsuccessful development and implementation of new technologies;
- a lack of redundancy in our operations;
- our failure to attract and retain qualified employees and independent agents or our loss of key personnel;
- our inability to generate investment income;
- our inability to maintain our financial stability rating;
- effects of emerging claim and coverage issues relating to legal, judicial, environmental and social conditions;
- the failure of our risk mitigation strategies or loss limitation methods;
- our reliance on independent agents to write voluntary insurance policies;
- changes in regulations and our failure to meet increased regulatory requirements;
- our ability to maintain effective internal controls over financial reporting;
- our status as an "emerging growth company";
- the regulation of our insurance operations; and
- certain characteristics of our common stock.

Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results.

These forward-looking statements are subject to numerous risks, uncertainties and assumptions about us described in our filings with the Securities and Exchange Commission (the "SEC"). The forward-looking statements we make in our Form 10-Q are valid only as of the date of our Form 10-Q and may not occur in light of the risks, uncertainties and assumptions that we describe from time to time in our filings with the SEC. A detailed discussion of these and other risks and uncertainties that could cause actual results and events to differ materially from our forward-looking statements is included in the section entitled "Risk Factors" in Part I, Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2018. Except as required by applicable law, we undertake no obligation and disclaim any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## PART I – FINANCIAL INFORMATION

**Item 1 – Financial Statements**

**HERITAGE INSURANCE HOLDINGS, INC.**
**Condensed Consolidated Balance Sheets**
**(Amounts in thousands, except per share and share amounts)**

| | *March 31, 2019* | *December 31, 2018* |
|---|---|---|
| **ASSETS** | *(unaudited)* | |
| Fixed maturities, available-for-sale, at fair value (amortized cost of $528,193 and $518,391) | 527,940 | $ 509,649 |
| Equity securities, at fair value (cost of $18,249 and $18,698) | 17,375 | 16,456 |
| Other investments | 21,693 | 2,488 |
| Total investments | 567,008 | 528,593 |
| Cash and cash equivalents | 279,720 | 250,117 |
| Restricted cash | 12,257 | 12,253 |
| Accrued investment income | 4,618 | 4,468 |
| Premiums receivable, net | 55,096 | 57,000 |
| Reinsurance recoverable on paid and unpaid claims | 263,266 | 317,930 |
| Prepaid reinsurance premiums | 161,015 | 233,071 |
| Income taxes receivable | 365 | 35,586 |
| Deferred policy acquisition costs, net | 69,883 | 73,055 |
| Property and equipment, net | 21,317 | 17,998 |
| Intangibles, net | 74,757 | 76,850 |
| Goodwill | 152,459 | 152,459 |
| Other assets | 15,232 | 9,333 |
| **Total Assets** | $ 1,676,993 | $ 1,768,713 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Unpaid losses and loss adjustment expenses | $ 404,484 | $ 432,359 |
| Unearned premiums | 454,225 | 472,357 |
| Reinsurance payable | 114,263 | 166,975 |
| Long-term debt, net | 132,176 | 148,794 |
| Deferred income tax | 5,967 | 7,705 |
| Advance premiums | 27,892 | 20,000 |
| Accrued compensation | 7,752 | 9,226 |
| Accounts payable and other liabilities | 95,147 | 85,964 |
| **Total Liabilities** | $ 1,241,906 | $ 1,343,380 |
| | | |
| **Commitments and contingencies (Note 17)** | | |
| **Stockholders' Equity:** | | |
| Common stock, $0.0001 par value, 50,000,000 shares authorized, 30,013,018 shares issued and 29,432,217 shares outstanding at March 31, 2019 and 30,083,559 shares issued and 29,477,756 shares outstanding at December 31, 2018 | 3 | 3 |
| Additional paid-in capital | 328,937 | 325,292 |
| Accumulated other comprehensive loss | (564) | (6,527) |
| Treasury stock, at cost, 7,562,537 shares at March 31, 2019 and 7,214,797 shares at December 31, 2018 | (94,196) | (89,185) |
| Retained earnings | 200,907 | 195,750 |
| **Total Stockholders' Equity** | 435,087 | 425,333 |
| **Total Liabilities and Stockholders' Equity** | $ 1,676,993 | $ 1,768,713 |

*See accompanying notes to unaudited condensed consolidated financial statements.*

**HERITAGE INSURANCE HOLDINGS, INC.**
**Condensed Consolidated Statements of Operations and Other Comprehensive Income**
**(Unaudited)**
**(Amounts in thousands, except per share and share amounts)**

| | *For the Three Months Ended March 31,* | |
|---|---|---|
| | ***2019*** | ***2018*** |
| **REVENUES:** | | |
| Gross premiums written | $ 210,348 | $ 204,366 |
| Change in gross unearned premiums | 18,242 | 22,797 |
| Gross premiums earned | 228,590 | 227,163 |
| Ceded premiums | (118,899) | (121,055) |
| Net premiums earned | 109,691 | 106,108 |
| Net investment income | 3,672 | 3,302 |
| Net realized gains (losses) | 1,024 | (227) |
| Other revenue | 3,874 | 2,843 |
| **Total revenues** | 118,261 | 112,026 |
| **EXPENSES:** | | |
| Losses and loss adjustment expenses | 62,139 | 53,091 |
| Policy acquisition costs, net of ceding commission income of $12.9 million and $14.3 million | 26,020 | 12,187 |
| General and administrative expenses, net of ceding commission income of $4.3 million and $4.7 million | 18,604 | 21,931 |
| **Total expenses** | 106,763 | 87,209 |
| **Operating income** | 11,498 | 24,817 |
| Interest expense, net | 2,117 | 4,820 |
| Other non-operating (income)/loss, net | 48 | — |
| **Income before income taxes** | 9,333 | 19,997 |
| Provision for income taxes | 2,369 | 5,168 |
| **Net income** | $ 6,964 | $ 14,829 |
| **OTHER COMPREHENSIVE INCOME** | | |
| Change in net unrealized gains (losses) on investments | 8,036 | (6,478) |
| Reclassification adjustment for net realized investment losses | 335 | 227 |
| Income tax (expense) benefit related to items of other comprehensive income | (2,408) | 1,823 |
| **Total comprehensive income** | $ 12,927 | $ 10,401 |
| **Weighted average shares outstanding** | | |
| Basic | 29,540,514 | 25,727,553 |
| Diluted | 29,544,563 | 26,732,019 |
| **Earnings per share** | | |
| Basic | $ 0.24 | $ 0.58 |
| Diluted | $ 0.24 | $ 0.55 |

*See accompanying notes to unaudited condensed consolidated financial statements.*

**HERITAGE INSURANCE HOLDINGS, INC.**
**Condensed Consolidated Statements of Stockholders' Equity**
**Three Months Ended March 31, 2019 and 2018**
**(Unaudited)**
**(Amounts in thousands, except share amounts)**

| | Common Shares | Par Value | Additional Paid-In Capital | Retained Earnings | Treasury Shares | Accumulated Other Comprehensive Loss | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2018** | 29,477,756 | $ 3 | $ 325,292 | $ 195,750 | $ (89,185) | $ (6,527) | $ 425,333 |
| Net unrealized change in investments, net of tax | — | — | — | — | — | 5,963 | 5,963 |
| Restricted stock vested, net of surrendered shares | 17,000 | — | (118) | — | — | — | (118) |
| Stock-based compensation on vested restricted stock | — | — | 1,345 | — | — | — | 1,345 |
| Convertible Option debt extinguishment | — | — | (1,840) | — | — | — | (1,840) |
| Stock issued on convertible note conversion | 285,201 | — | 4,210 | — | — | — | 4,210 |
| Stock buy-back | (347,740) | — | — | — | (5,011) | — | (5,011) |
| Dividends declared on common stock | — | — | — | (1,807) | — | — | (1,807) |
| Tax rate change | — | — | 48 | — | — | — | 48 |
| Net income | — | — | — | 6,964 | — | — | 6,964 |
| **Balance at March 31, 2019** | 29,432,217 | $ 3 | $ 328,937 | $ 200,907 | $ (94,196) | $ (564) | $ 435,087 |

| | Common Shares | Par Value | Additional Paid-In Capital | Retained Earnings | Treasury Shares | Accumulated Other Comprehensive Loss | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2017, as previously reported** | 25,885,006 | $ 3 | $ 294,836 | $ 175,226 | $ (87,185) | $ (3,064) | $ 379,816 |
| Cumulative effective of change in accounting principle (ASU 2016-01), net of tax | — | — | — | (267) | — | 267 | — |
| **Balance at December 31, 2017, as adjusted** | 25,885,006 | 3 | 294,836 | 174,959 | (87,185) | (2,797) | 379,816 |
| Stock buy-back | (115,200) | — | — | — | (1,999) | — | (1,999) |
| Stock-based compensation | — | — | 1,306 | — | — | — | 1,306 |
| Reclassification of income taxes upon early adoption of ASU 2018-02 | — | — | — | 424 | — | (424) | — |
| Tax effect of warrant reclassification | — | — | 970 | — | — | — | 970 |
| Dividends declared on common stock | — | — | — | (1,601) | — | — | (1,601) |
| Net unrealized change in investments, net of tax | — | — | — | — | — | (4,428) | (4,428) |
| Net income | — | — | — | 14,829 | — | — | 14,829 |
| **Balance at March 31, 2018** | 25,769,806 | $ 3 | $ 297,112 | $ 188,611 | $ (89,184) | $ (7,649) | $ 388,893 |

*See accompanying notes to unaudited condensed consolidated financial statements.*

**HERITAGE INSURANCE HOLDINGS, INC.**
**Condensed Consolidated Statements of Cash Flows**
**(Unaudited)**
**(Amounts in thousands)**

| | *For the Three Months Ended March 31,* | |
|---|---|---|
| | ***2019*** | ***2018*** |
| OPERATING ACTIVITIES | | |
| Net income | $ 6,964 | $ 14,829 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Stock-based compensation | 1,345 | 1,306 |
| Bond amortization and accretion | 1,229 | 1,792 |
| Amortization of original issuance discount on debt | 390 | 871 |
| Depreciation and amortization | 2,696 | 7,041 |
| Net realized (gains) losses | (1,024) | 227 |
| Net loss from repurchase of debt | 48 | — |
| Deferred income taxes | (4,098) | (13,260) |
| Changes in operating assets and liabilities: | | |
| Accrued investment income | (150) | 816 |
| Premiums receivable, net | 1,904 | 1,023 |
| Prepaid reinsurance premiums | 72,056 | 63,703 |
| Reinsurance premiums receivable and recoverable | 54,664 | (196,466) |
| Income taxes receivable | 35,221 | 19,815 |
| Deferred policy acquisition costs, net | 3,171 | (12,184) |
| Other assets | (5,898) | (3,019) |
| Unpaid losses and loss adjustment expenses | (27,875) | 77,652 |
| Unearned premiums | (18,132) | (22,797) |
| Reinsurance payable | (52,712) | 38,431 |
| Accrued interest | 127 | 3,217 |
| Accrued compensation | (1,474) | (9,219) |
| Advance premiums | 7,892 | 14,090 |
| Income taxes payable | 5,725 | — |
| Other liabilities | 3,253 | — |
| Net cash provided by (used in) operating activities | 85,322 | (12,132) |
| INVESTING ACTIVITIES | | |
| Marketable securities sales | 25,486 | 127,328 |
| Marketable securities purchases | (37,203) | (71,498) |
| Proceeds from sales of equity securities | 2,291 | — |
| Purchase of equity securities | (1,617) | — |
| Limited partnership interest | (19,205) | — |
| Proceeds from sale of assets | 71 | — |
| Cost of property and equipment acquired | (3,994) | (83) |
| Net cash (used in) provided by investing activities | (34,171) | 55,747 |
| FINANCING ACTIVITIES | | |
| Repayment of term note | (11,875) | — |
| Mortgage loan payments | (70) | (68) |
| Repurchase of convertible notes | (2,869) | — |
| Purchase of treasury stock | (5,011) | (1,999) |
| Tax withholdings on share-based compensation awards | (118) | — |
| Dividends paid | (1,601) | (1,601) |
| Net cash used in financing activities | (21,544) | (3,668) |
| Increase in cash, cash equivalents, and restricted cash | 29,607 | 39,947 |
| Cash, cash equivalents and restricted cash, beginning of period | 262,370 | 174,530 |
| Cash, cash equivalents and restricted cash, end of period | $ 291,977 | $ 214,477 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid | $ 2,977 | $ 5,406 |
| Issuance of shares on conversion of convertible notes | $ 4,210 | — |

Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets

| | *March 31, 2019* | *December 31, 2018* |
|---|---|---|
| | *(in thousands)* | |
| Cash and cash equivalents | $ 279,720 | $ 250,117 |
| Restricted cash | 12,257 | $ 12,253 |
| Total | $ 291,977 | $ 262,370 |

Restricted cash primarily presents funds held to meet our contractual obligations related to the catastrophe issued by Citrus Re bonds and certain states in which the Company's insurance subsidiaries conduct business to meet regulatory requirements.

*See accompanying notes to unaudited condensed consolidated financial statements.*

## NOTE 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

***Basis of Presentation***

The condensed consolidated financial statements include the accounts of the Heritage Insurance Holdings, Inc. (together with its subsidiaries, the "Company"). These statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain financial information that is normally included in annual financial statements prepared in accordance with GAAP, but that is not required for interim reporting purposes, has been omitted. In the opinion of the Company's management, all material intercompany transactions and balances have been eliminated and all adjustments consisting of normal recurring accruals which are, necessary for a fair statement of the financial condition and results of operations for the interim periods have been reflected. The accompanying interim consolidated financial statements and related footnotes should be read in conjunction with the Company's consolidated financial statements and related footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 (the " 2018 Form 10- K").

***Significant accounting policies***

***Leases***

We lease office space as the lessor and tenant and have entered into various other lease agreements in conducting our business. We evaluate each lease agreement to determine whether the lease is an operating or financing lease and effective for the first quarter of 2019, we have established a right-of-use ("ROU") asset and corresponding lease liability on the balance sheet. As described below under "Recently Adopted Accounting Pronouncements" we adopted the Financial Accounting Standards Update, or ASU, "Leases", or "FASB 842" as of January 1, 2019. The Company did not recognize an opening adjustment to retained earnings as a result of the adoption of FASB 842. Refer to Note 5-Leases herein for further information.

***Reclassification***

We have reclassified certain amounts in the 2018 condensed consolidated balance sheet to confirm to our 2019 presentation.

***Recently Adopted Accounting Pronouncements***

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842) Lease Accounting, which requires that a lessee recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. As with previous guidance, there continues to be a differentiation between finance leases and operating leases, however this distinction now primarily relates to differences in the manner of expense recognition over time and in the classification of lease payments in the statement of cash flows. Lease assets and liabilities arising from both finance and operating leases will be recognized in the statement of financial position. ASU 2016-02 leaves the accounting for leases by lessors largely unchanged from previous GAAP.

We adopted the guidance prospectively during the first quarter of 2019. As part of our adoption, we elected not to reassess historical lease classification, recognize short-term leases on our balance sheet, nor separate lease and non-lease components for our real estate leases. At implementation, we recorded approximately $2.8 million as right-of-use operating and financing leased assets in other assets and approximately $2.8 million of lease liabilities in accounts payable and other liabilities. Adoption of this standard did not materially impact the Company's Condensed Consolidated Statements of Operations and Other Comprehensive Income and Statements of Cash Flows. See Note 5 to the Financial Statements.

***Accounting Pronouncements Not Yet Adopted***

For information regarding accounting standards that the Company has not yet adopted, refer to our Annual Report on Form 10-K, filed on March 12, 2019, the section of Note 1 of the notes to the consolidated financial statements the "Accounting Pronouncement Not Yet Adopted".

**NOTE 2. INVESTMENTS**

*Securities Available-for-Sale*

The following table details the difference between cost or adjusted/amortized cost and estimated fair value, by major investment category, at March 31, 2019 and December 31, 2018:

| *March 31, 2019* | *Cost or Adjusted / Amortized Cost* | *Gross Unrealized Gains* | *Gross Unrealized Losses* | *Fair Value* |
|---|---|---|---|---|
| | | *(In thousands)* | | |
| ***Fixed maturity securities, available-for-sale*** | | | | |
| U.S. government and agency securities (1) | $ 49,547 | $ 81 | $ 451 | $ 49,177 |
| States, municipalities and political subdivisions | 65,988 | 440 | 151 | 66,277 |
| Special revenue | 244,841 | 1,463 | 1,479 | 244,825 |
| Industrial and miscellaneous | 163,514 | 943 | 951 | 163,506 |
| Redeemable preferred stocks | 4,303 | 5 | 153 | 4,155 |
| | $ 528,193 | $ 2,932 | $ 3,185 | $ 527,940 |

| *December 31, 2018* | *Cost or Adjusted / Amortized Cost* | *Gross Unrealized Gains* | *Gross Unrealized Losses* | *Fair Value* |
|---|---|---|---|---|
| | | *(In thousands)* | | |
| ***Fixed maturity securities, available-for-sale*** | | | | |
| U.S. government and agency securities (1) | $ 48,739 | $ 40 | $ 738 | $ 48,041 |
| States, municipalities and political subdivisions | 60,028 | 46 | 785 | 59,289 |
| Special revenue | 249,026 | 210 | 3,881 | 245,355 |
| Industrial and miscellaneous | 155,678 | 81 | 3,302 | 152,457 |
| Redeemable preferred stocks | 4,920 | — | 413 | 4,507 |
| | $ 518,391 | $ 377 | $ 9,119 | $ 509,649 |

(1) U.S. government and agency securities include pledged fixed maturity securities with an estimated fair value of $24 million and $31 million under the terms and condition of the advance agreement entered into with a financial institution as of March 31, 2019 and December 31, 2018, respectively. The Company is permitted to withdraw or exchange any portion of the pledged collateral over the minimum requirement at any time.

The Company calculates the gain or loss realized on the sale of investments by comparing the sales price (fair value) to the cost or adjusted/amortized cost of the security sold. The Company determines the cost or adjusted/amortized cost of the security sold using the specific-identification method. The following tables detail the Company's net realized gains (losses) by major investment category for the three months ended March 31, 2019 and 2018.

| | *2019* | | *2018* | |
|---|---|---|---|---|
| | *Gains (Losses)* | *Fair Value at Sale* | *Gains (Losses)* | *Fair Value at Sale* |
| | | *(In thousands)* | | |
| ***For the Three Months Ended March 31,*** | | | | |
| Fixed maturity securities | $ 5 | $ 24,414 | $ 87 | $ 50,067 |
| Equity securities | — | — | 2 | 74 |
| Total realized gains | 5 | 24,414 | 89 | 50,141 |
| Fixed maturity securities | (67) | 6,141 | (218) | 48,143 |
| Equity securities | (273) | 513 | (98) | 2,167 |
| Total realized losses | (340) | 6,654 | (316) | 50,310 |
| Unrealized gains (losses) on equity securities (1) | 1,359 | — | — | — |
| Net realized (losses) gains | $ 1,024 | $ 31,068 | $ (227) | $ 100,451 |

(1) For the three months ended March 31, 2018, the Company recognized $868,700 as unrealized losses on equity securities pursuant to ASC 2016-01, at the time of adoption the Company reported changes in the fair value of equity investments in Other revenue.

The table below summarizes the Company's fixed maturities at March 31, 2019 by contractual maturity periods. Actual results may differ as issuers may have the right to call or prepay obligations, with or without penalties, prior to the contractual maturity of those obligations.

| | For the Three Months Ended March 31, 2019 | | | |
|---|---|---|---|---|
| | Cost or Amortized Cost | Percent of Total | Fair Value | Percent of Total |
| ***Maturity dates:*** | *(In thousands)* | | *(In thousands)* | |
| Due in one year or less | $ 55,079 | 10% | $ 54,993 | 10% |
| Due after one year through five years | 168,231 | 32% | 168,051 | 32% |
| Due after five years through ten years | 138,520 | 26% | 138,978 | 26% |
| Due after ten years | 166,363 | 32% | 165,918 | 32% |
| Total | $ 528,193 | 100% | $ 527,940 | 100% |

***Equity Securities***

The following tables present realized gains and losses from securities included both sales of securities and unrealized gains losses included in net income as of March 31, 2019 and December 31, 2018 :

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| | *(In thousands)* | |
| Net gains (loss) recognized during the period on equity securities | $ 1,086 | $ (945) |
| Less: Net losses (gains) recognized from equity securities sold | 273 | 76 |
| Unrealized gains (loss) recognized on equity securities still held at reporting date | $ 1,359 | $ (869) |

The following table summarizes the Company's net investment income by major investment category for the three months ended March 31, 2019 and 2018, respectively:

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| | *(In thousands)* | |
| Fixed maturity securities | $ 2,724 | $ 2,945 |
| Equity securities | 309 | 307 |
| Cash, cash equivalents and short-term investments | 817 | 157 |
| Other investments | 342 | 259 |
| Net investment income | 4,192 | 3,668 |
| Investment expenses | 520 | 366 |
| Net investment income, less investment expenses | $ 3,672 | $ 3,302 |

As of March 31, 2019, the Company evaluated its fixed maturity securities for impairment and determined that none of its investments in fixed maturity securities that reflected an unrealized loss position were other-than-temporarily impaired. The issuers of the fixed maturity securities in which the Company invests continue to make interest payments on a timely basis and have not suffered any credit rating reductions. The Company does not intend to sell, nor is it likely that it would be required to sell, the fixed maturity securities before the Company recovers its amortized cost basis.

***Limited Partnerships***

The Company has interests in limited partnerships that are not registered or readily tradable on a securities exchange. The investments are private equity funds managed by general partners who make financial policy and operational decisions. The Company is not the primary beneficiary and does not consolidate these partnerships. The Company carries these investments at fair value which is based on the net value of the funds. As of March 31, 2019, the estimated fair value of our investments in the limited partnership interests was $21.7 million. The general partner's objective is to achieve capital appreciation through investments in marketable securities and broad markets, preferred stock, industry-focused and fixed income exchange-traded funds (ETFs). During the first quarter of 2019 and 2018, the Company received total cash distributions of $259,800 and $121,170, respectively, representing return of capital on its investments. The Company incurred no allocated costs in the first quarter of 2019 and $5,000 for the comparable period of 2018.

The following tables present an aging of our unrealized investment losses by investment class as of March 31, 2019 and December 31, 2018:

| | Less Than Twelve Months | | | Twelve Months or More | | |
|---|---|---|---|---|---|---|
| *March 31, 2019* | *Number of Securities* | *Gross Unrealized Losses* | *Fair Value* | *Number of Securities* | *Gross Unrealized Losses* | *Fair Value* |
| | | | *(In thousands)* | | | |
| ***Fixed maturity securities, available-for-sale*** | | | | | | |
| U.S. government and agency securities | 9 | $ 49 | $ 2,635 | 59 | $ 402 | $ 19,792 |
| States, municipalities and political subdivisions | 1 | 1 | 523 | 35 | 150 | 29,693 |
| Industrial and miscellaneous | 54 | 109 | 16,848 | 235 | 842 | 70,928 |
| Special revenue | 23 | 82 | 13,985 | 318 | 1,397 | 96,391 |
| Redeemable preferred stocks | 25 | 24 | 1,368 | 17 | 129 | 2,215 |
| Total fixed maturity securities | **112** | **$ 265** | **$ 35,358** | **664** | **$ 2,920** | **$ 219,019** |

| | Less Than Twelve Months | | | Twelve Months or More | | |
|---|---|---|---|---|---|---|
| *December 31, 2018* | *Number of Securities* | *Gross Unrealized Losses* | *Fair Value* | *Number of Securities* | *Gross Unrealized Losses* | *Fair Value* |
| | | | *(In thousands)* | | | |
| ***Fixed maturity securities, available-for-sale*** | | | | | | |
| U.S. government and agency securities | 17 | $ 129 | $ 10,485 | 66 | $ 609 | $ 20,488 |
| States, municipalities and political subdivisions | 13 | 103 | 12,864 | 42 | 682 | 39,979 |
| Industrial and miscellaneous | 214 | 1,479 | 70,156 | 232 | 1,822 | 70,375 |
| Special revenue | 105 | 1,260 | 76,335 | 323 | 2,621 | 108,319 |
| Redeemable preferred stocks | 55 | 193 | 2,541 | 27 | 221 | 1,965 |
| Total fixed maturity securities | **404** | **$ 3,164** | **$ 172,381** | **690** | **$ 5,955** | **$ 241,126** |

The Company is required to maintain assets on deposit with various regulatory authorities to support its insurance and reinsurance operations.

**NOTE 3. FAIR VALUE OF FINANCIAL INSTRUMENTS**

For the Company's investments in U.S. government securities that do not have prices in active markets, agency securities, state and municipal governments, and corporate bonds, the Company obtains the fair values from its third-party valuation service and we evaluate the relevant inputs, assumptions, methodologies and conclusions associated with such valuations. The valuation service calculates prices for the Company's investments in the aforementioned security types on a month-end basis by using several matrix-pricing methodologies that incorporate inputs from various sources. The model the valuation service uses to price U.S. government securities and securities of states and municipalities incorporates inputs from active market makers and inter-dealer brokers. To price corporate bonds and agency securities, the valuation service calculates non-call yield spreads on all issuers, uses option-adjusted yield spreads to account for any early redemption features, then adds final spreads to the U.S. Treasury curve as of quarter end. The inputs the valuation service uses in their calculations are not quoted prices in active markets, but are observable inputs, and therefore represent Level 2 inputs.

The following table presents information about the Company's assets measured at fair value on a recurring basis. The Company assesses the levels for the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Company's accounting policy regarding the recognitions of transfers between levels of the fair value hierarchy. As of March 31, 2019, and December 31, 2018, there were no transfers in or out of Level 1, 2, and 3.

The Company also invests small amounts in equity securities, real estate and private limited partnerships. This investment class has the potential for higher returns but also the potential for higher degrees of risk, including less than stable rates of returns and may provide less liquidity.

*Investments excluded from the fair value hierarchy*

Limited partnerships carried at fair value, which do not have readily determinable fair value, use NAV (net asset value) provided by the investees and are excluded from the fair value hierarchy. The Company may, as of the last day of each calendar

quarter, upon at least 65 days' prior written notice, withdrawal all or any portion of the balance in its investment . There is a 3 percent withdrawal fee if made during the first year of investment .

| *March 31, 2019* | *Total* | *Level 1* | *Level 2* | *Level 3* |
|---|---|---|---|---|
| **Invested Assets:** | | *(In thousands)* | | |
| ***Fixed maturity securities, available-for-sale:*** | | | | |
| U.S. government and agency securities | $ 49,177 | $ 359 | $ 48,818 | $ — |
| States, municipalities and political subdivisions | 66,277 | — | 66,277 | — |
| Special revenue | 244,825 | — | 244,825 | — |
| Industrial and miscellaneous | 163,506 | — | 163,506 | — |
| Redeemable preferred stocks | 4,155 | 4,155 | — | — |
| Total fixed maturity securities | 527,940 | 4,514 | 523,426 | — |
| ***Equity securities*** | | | | |
| Common stock | 3,825 | 3,825 | — | — |
| Non-redeemable preferred stock | 13,550 | 13,550 | — | — |
| Total equity securities | 17,375 | 17,375 | — | — |
| Total investments | 545,315 | 21,889 | 523,426 | — |
| Investments reported at NAV | 21,693 | — | — | — |
| **Total** | **$ 567,008** | **$ 21,889** | **$ 523,426** | **$ —** |

| *December 31, 2018* | *Total* | *Level 1* | *Level 2* | *Level 3* |
|---|---|---|---|---|
| **Invested Assets:** | | *(in thousands)* | | |
| ***Fixed maturity securities, available-for-sale:*** | | | | |
| U.S. government and agency securities | $ 48,041 | $ 354 | $ 47,687 | $ — |
| States, municipalities and political subdivisions | 59,289 | — | 59,289 | — |
| Special revenue | 245,355 | — | 245,355 | — |
| Industrial and miscellaneous | 152,457 | — | 152,457 | — |
| Redeemable preferred stocks | 4,507 | 4,507 | — | — |
| Total fixed maturity securities | 509,649 | 4,861 | 504,788 | — |
| ***Equity securities*** | | | | |
| Common stock | 3,686 | 3,686 | — | — |
| Non-redeemable preferred stock | 12,770 | 12,770 | — | — |
| Total equity securities | 16,456 | 16,456 | — | — |
| Total investments | 526,105 | 21,317 | 504,788 | — |
| Investments reported at NAV | 2,488 | — | — | — |
| **Total** | **$ 528,593** | **$ 21,317** | **$ 504,788** | **$ —** |

At December 31, 2018, the Company recorded the $2.4 million of limited partnership investments at net asset value and therefore, excluded from the fair value hierarchy.

**Non-recurring fair value measurements**

Assets and liabilities that are measured at fair value on a non-recurring basis include intangible assets and goodwill which are recognized at fair value during the period in which an acquisition is completed, from updated estimates and assumptions during the measurement period, or when they are considered to be impaired. These non-recurring fair value measurements, primarily for intangible assets acquired, were based on Level 3 unobservable inputs. For the three months ended March 31, 2019 and 2018, these non-recurring fair values inputs consisted of brand, agent relationships, renewal rights, customer relations, trade names, value of business acquired, non-compete and goodwill. To evaluate such assets for a potential impairment, we determine the fair value of the goodwill and intangible assets using a combination of a discounted cash flow approach and market approaches, which contain significant unobservable inputs and therefore is considered a Level 3 fair value measurement. The unobservable inputs in the analysis generally include future cash flow projections and a discount rate.

There were no non-recurring fair value adjustments to intangible assets and goodwill during the first quarter of 2019 and 2018. We record any measurement period adjustments to the fair value of assets acquired and liabilities assumed, with the corresponding offset to goodwill.

**NOTE 4. OTHER COMPREHENSIVE INCOME**

Other comprehensive income (loss) was $6.0 million and $(4.4) million for the three months ended March 31, 2019 and 2018, respectively. The difference between net income as reported and comprehensive income was due to the changes in unrealized gains and losses, net of taxes on fixed maturities securities.

| | *For the Three Months Ended March 31,* | | | | | |
|---|---|---|---|---|---|---|
| | *2019* | | | *2018* | | |
| | *Pre-tax* | *Tax* | *After-tax* | *Pre-tax* | *Tax* | *After-tax* |
| | *(In thousands)* | | | | | |
| Other comprehensive income | | | | | | |
| Change in unrealized losses on investments, net | $ 8,036 | $ (2,323) | $ 5,713 | $ (6,478) | $ 1,871 | $ (4,607) |
| Reclassification adjustment of realized losses (gains) included in net income | 335 | (85) | 250 | 227 | (48) | 179 |
| Effect on other comprehensive income | $ 8,371 | $ (2,408) | $ 5,963 | $ (6,251) | $ 1,823 | $ (4,428) |

**NOTE 5. LEASES**

The Company has entered into operating and financing leases primarily for real estate and vehicles. The Company will determine whether an arrangement is a lease at inception of the agreement. The operating leases have terms of one to ten years, and often include one or more options to renew. These renewal terms can extend the lease term from three to ten years, and are included in the lease term when it is reasonably certain that the Company will exercise the option. The Company considers these options in determining the lease term used in establishing our right-of-use asset and lease obligations. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Because the rate implicit in each operating lease in not readily determinable, the Company uses its incremental borrowing rate to determine present value of the lease payments. The Company used the implicit rates within the finance leases.

Components of our lease costs for the three months ended March 31, 2019 are as follows (in thousands):

| | **March 31, 2019** |
|---|---|
| Amortization of ROU assets - Finance leases | $ 23 |
| Interest on lease liabilities - Finance leases | 7 |
| Variable lease cost (cost excluded from lease payments) | 111 |
| Operating lease cost (cost resulting from lease payments) | 176 |
| **Total lease cost** | $ 317 |
| | |
| New ROU assets - Operating leases | $ 6,955 |

Supplemental cash flow information and non-cash activity related to our operating and financing leases as of March 31, 2019 are as follows (in thousands):

| | **March 31, 2019** |
|---|---|
| Finance lease - Operating cash flows | $ 8 |
| Finance lease - Financing cash flows | $ 17 |
| | |
| Operating lease - Operating cash flows (fixed payments) | $ 171 |
| Operating lease - Operating cash flows (liability reduction) | $ 141 |

Supplemental balance sheet information related to our operating and financing leases as of March 31, 2019 are as follows (in thousands):

| | **Balance Sheet Classification** | **March 31, 2019** |
|---|---|---|
| Right-of-use assets (1) | Other assets | $ 7,129 |
| Lease Liability | Accounts payable and other liabilities | $ (8,581) |

(1) Right-of-use asset is reduced by $1.3 million in lease incentives received in March 2019, for the new February 1, 2019 lease agreement.

Weighted-average remaining lease term and discount rate for our operating and financing leases as of March 31, 2019 are as follows:

| | March 31, 2019 |
|---|---|
| Weighted average lease term - Finance leases | 4.12 yrs. |
| Weighted average lease term - Operating leases | 8.48 yrs. |
| Weighted average discount rate - Finance leases | 8.1% |
| Weighted average discount rate - Operating leases | 5.3% |

Maturities of lease liabilities by fiscal year for our operating and financing leases as of March 31, 2019 are as follows (in thousands):

| | March 31, 2019 |
|---|---|
| 2019 remaining | $ 879 |
| 2020 | 1,437 |
| 2021 | 1,405 |
| 2022 | 1,439 |
| 2023 | 1,254 |
| 2024 and thereafter | 4,449 |
| Total lease payments | 10,863 |
| Less: imputed interest | (2,282) |
| Present value of lease liabilities | $ 8,581 |

## NOTE 6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following at March 31, 2019 and December 31, 2018:

| | *March 31, 2019* | *December 31, 2018* |
|---|---|---|
| | *(In thousands)* | |
| Land | $ 2,582 | $ 2,582 |
| Building | 11,390 | 11,390 |
| Computer hardware and software | 5,163 | 4,901 |
| Office furniture and equipment | 1,855 | 1,397 |
| Tenant and leasehold improvements | 7,717 | 4,477 |
| Vehicle fleet | 783 | 854 |
| Total, at cost | 29,490 | 25,601 |
| Less: accumulated depreciation and amortization | (8,173) | (7,603) |
| Property and equipment, net | $ 21,317 | $ 17,998 |

Depreciation and amortization expense for property and equipment was $571,000 and $414,000 for the three months ended March 31, 2019 and 2018, respectively. The Company's real estate consists of 15 acres of land and five buildings with a gross area of 229,000 square feet and a parking garage.

## NOTE 7. GOODWILL AND OTHER INTANGIBLE ASSETS

*Goodwill and Intangible Assets*

At March 31, 2019 and December 31, 2018 goodwill was $152.5 million and intangible assets were $74.8 million and $76.8 million, respectively. The Company has determined the useful life of the other intangible assets to range between 2.5-15 years. The Company has recorded $1.3 million relating to insurance licenses and classified as an indefinite lived intangible which is subject to annual impairment testing concurrent with goodwill.

| | Goodwill |
|---|---|
| | *(In thousands)* |
| Balance as of December 31, 2018 | $ 152,459 |
| Goodwill acquired | — |
| Impairment | — |
| Balance as of March 31, 2019 | $ 152,459 |

*Other Intangible Assets*

Our intangible assets resulted primarily from the acquisitions of Zephyr Acquisition Company and NBIC Holdings, Inc. and consist of brand, agent relationships, renewal rights, customer relations, trade names, non-competes and insurance licenses. Finite-lived intangibles assets are amortized over their useful lives from one to fifteen years.

Amortization expense of our intangible assets was $2.1 million and $6.6 million for the three months ended March 31, 2019 and March 31, 2018, respectively. No impairment in the value of amortizing or non-amortizing intangible assets was recognized during the three months ended March 31, 2019 or 2018.

Estimated annual pretax amortization of intangible assets for each of the next five years and thereafter is as follows (in thousands):

| Year | Amount |
|---|---|
| 2019 remaining | $ 6,115 |
| 2020 | $ 6,365 |
| 2021 | $ 6,351 |
| 2022 | $ 6,351 |
| 2023 | $ 6,351 |
| 2024 | $ 6,351 |
| Thereafter | $ 35,558 |
| | $ 73,442 |

(1) Excludes insurance licenses valued at $1.3 million and classified as an indefinite lived intangible which is subject to annual impairment testing and not amortized.

**NOTE 8. EARNINGS PER SHARE**

The following table sets forth the computation of basic and diluted earnings per share ("EPS") for the periods indicated.

| | *For the Three Months Ended March 31,* | |
|---|---|---|
| | *2019* | *2018* |
| **Basic earnings per share:** | | |
| Net income attributable to common stockholders (000's) | $ 6,964 | $ 14,829 |
| Weighted average shares outstanding | 29,540,514 | 25,727,553 |
| **Basic earnings per share:** | **$ 0.24** | **$ 0.58** |
| | | |
| **Diluted earnings per share:** | | |
| Net income attributable to common stockholders (000's) | $ 6,964 | $ 14,829 |
| Weighted average shares outstanding | 29,540,514 | 25,727,553 |
| Weighted average dilutive shares | 4,049 | 1,004,466 |
| Total weighted average dilutive shares | 29,544,563 | 26,732,019 |
| **Diluted earnings per share:** | **$ 0.24** | **$ 0.55** |

**NOTE 9. DEFERRED REINSURANCE CEDING COMMISSION**

The Company defers reinsurance ceding commission income, which is amortized over the effective period of the related insurance policies. For the three months ended March 31, 2019 and 2018, the Company allocated ceding commission income of $12.9 million and $14.3 million to policy acquisition costs and $4.3 million and $4.7 million to general and administrative expense, respectively.

The table below depicts the activity with regard to deferred reinsurance ceding commission during the three-month periods ended March 31, 2019 and 2018.

| | *For the Three Months Ended March 31,* | |
|---|---|---|
| | ***2019*** | ***2018*** |
| | *(In thousands)* | |
| Beginning balance of deferred ceding commission income | $ 44,996 | $ 51,277 |
| Ceding commission deferred | 12,647 | 15,557 |
| Less: ceding commission earned | (17,169) | (18,993) |
| Ending balance of deferred ceding commission income | $ 40,474 | $ 47,841 |

**NOTE 10. DEFERRED POLICY ACQUISITION COSTS**

The Company defers certain costs in connection with written policies, called deferred policy acquisition costs ("DPAC"), which are amortized over the effective period of the related insurance policies.

The Company anticipates that its DPAC costs will be fully recoverable in the near term. The table below depicts the activity with regard to DPAC during the three-month periods ended March 31, 2019 and 2018.

| | *For the Three Months Ended March 31,* | |
|---|---|---|
| | ***2019*** | ***2018*** |
| | *(In thousands)* | |
| Beginning Balance | $ 73,055 | $ 41,678 |
| Policy acquisition costs deferred | 35,965 | 24,371 |
| Amortization | (39,137) | (12,187) |
| Ending Balance | $ 69,883 | $ 53,862 |

**NOTE 11. INCOME TAXES**

During the three months ended March 31, 2019 and 2018, the Company recorded $2.4 million and $5.2 million, respectively, of income tax expense which corresponds to an estimated annual effective tax rate of 25.4% and 25.8%, respectively. Effective tax rates are dependent upon components of pre-tax earnings and the related tax effects. The effective tax rate can fluctuate throughout the year as estimates used in the tax provision for the first quarter are updated as more information becomes available throughout the year.

The table below summarizes the significant components of our net deferred tax assets (liabilities):

| | *March 31, 2019* | *December 31, 2018* |
|---|---|---|
| Deferred tax assets: | *(In thousands)* | |
| Unearned premiums | $ 15,264 | $ 12,090 |
| Unearned commission | 9,657 | 10,733 |
| Net operating loss | 109 | 109 |
| Tax-related discount on loss reserve | 2,418 | 2,329 |
| Unrealized loss | 431 | 2,631 |
| Stock-based compensation | 528 | 297 |
| Accrued expenses | 2,050 | 2,321 |
| Other | 1,870 | 1,443 |
| Total deferred tax asset | 32,327 | 31,953 |
| Deferred tax liabilities: | | |
| Deferred acquisition costs | 16,735 | 17,494 |
| Prepaid expenses | 65 | 112 |
| Property and equipment | 533 | 664 |
| Note discount | 536 | 710 |
| Basis in purchased investments | 149 | 163 |
| Basis in purchased intangibles | 18,509 | 18,982 |
| Other | 1,767 | 1,533 |
| Total deferred tax liabilities | 38,294 | 39,658 |
| Net deferred tax liability | $ (5,967) | $ (7,705) |

In April 2019, the Company was notified by the tax authority that the 2015, 2016 and 2017 tax years federal income tax returns will be examined. The Company does not believe the examination results will have an adverse impact on the condensed consolidated financial statements.

At March 31, 2019 and December 31, 2018, we had no significant uncertain tax positions or unrecognized tax benefits that, if recognized, would impact the effective income tax rate.

**NOTE 12. REINSURANCE**

The Company's reinsurance program is designed, utilizing the Company's risk management methodology, to address its exposure to catastrophes or large non-catastrophic losses. The Company's program provides reinsurance protection for catastrophes including hurricanes, tropical storms, tornadoes and winter storms. The Company's reinsurance agreements are part of its catastrophe management strategy, which is intended to provide its stockholders an acceptable return on the risks assumed in its property business, and to reduce variability of earnings, while providing protection to the Company's policyholders.

We purchase significant reinsurance from third party reinsurers, including the Florida Hurricane Catastrophe Fund, and sponsor catastrophe bonds issued by Citrus Re. Our insurance affiliates may also purchase reinsurance from our captive reinsurer, Osprey Re Ltd. The catastrophe reinsurance may be on an excess of loss or quota share basis. We also purchase reinsurance for non-catastrophe losses on a quota share, per risk or facultative basis. Purchasing a sufficient amount of reinsurance to consider catastrophic losses from single or multiple events or significant non-catastrophe losses is an important part of our risk strategy, and premiums paid (or ceded) to reinsurers is one of our largest cost components. Reinsurance involves transferring, or "ceding", a portion of the risk exposure on policies we write to another insurer, known as a reinsurer. To the extent that our reinsurers are unable to meet the obligations they assume under our reinsurance agreements, we remain liable for the entire insured loss.

Our reinsurance agreements are prospective contracts. We record an asset, prepaid reinsurance premiums, and a liability, reinsurance payable, for the entire contract amount upon commencement of our new reinsurance agreements. We generally amortize our catastrophe reinsurance premiums over the 12-month contract period on a straight-line basis, which is June 1 through May 31. Our quota share reinsurance is amortized over the 12-month contract period and may be purchased on a calendar or fiscal year basis.

In the event that we incur losses and loss adjustment expenses recoverable under our reinsurance program, we record amounts recoverable from our reinsurers on paid losses plus an estimate of amounts recoverable on unpaid losses. The estimate of amounts recoverable on unpaid losses is a function of our liability for unpaid losses associated with the reinsured policies; therefore, the

amount changes in conjunction with any changes to our estima te of unpaid losses. As a result, a reasonable possibility exists that an estimated recovery may change significantly in the near term from the amounts included in our consolidated financial statements.

Our insurance regulators require all insurance companies, like us, to have a certain amount of capital and reinsurance coverage in order to cover losses and loss adjustment expenses upon the occurrence of a catastrophic event. Our 2018-2019 reinsurance program provides reinsurance in excess of our state regulator requirements, which are based on the probable maximum loss that we would incur from an individual catastrophic event estimated to occur once in every 100 years based on our portfolio of insured risks. The nature, severity and location of the event giving rise to such a probable maximum loss differs for each insurer depending on the insurer's portfolio of insured risks, including, among other things, the geographic concentration of insured value within such portfolio. As a result, a particular catastrophic event could be a one-in-100-year loss event for one insurance company while having a greater or lesser probability of occurrence for another insurance company. We also purchase reinsurance coverage to protect against the potential for multiple catastrophic events occurring in the same year. We share portions of our reinsurance program coverage among our insurance company affiliates.

The Company's reinsurance arrangements had the following effect on certain items in the condensed consolidated statement of income for the three months ended March 31, 2019 and 2018:

| | ***For the Three Months Ended March 31,*** | |
|---|---|---|
| | ***2019*** | ***2018*** |
| | *(In thousands)* | |
| Premium written: | | |
| Direct | $ 210,348 | $ 204,366 |
| Ceded | (46,842) | (57,350) |
| Net | $ 163,506 | $ 147,016 |
| Premiums earned: | | |
| Direct | 228,590 | $ 227,163 |
| Ceded | (118,899) | (121,055) |
| Net | $ 109,691 | $ 106,108 |
| Loss and Loss Adjustment Expenses | | |
| Direct | $ 112,176 | $ 335,729 |
| Ceded | (50,037) | (282,638) |
| Net | $ 62,139 | $ 53,091 |

**NOTE 13. RESERVE FOR UNPAID LOSSES**

The Company determines the reserve for unpaid losses on an individual-case basis for all incidents reported. The liability also includes amounts which are commonly referred to as incurred but not reported, or "IBNR", claims as of the balance sheet date.

The table below summarizes the activity related to the Company's reserve for unpaid losses:

| | ***For the Three Months Ended March 31,*** | |
|---|---|---|
| | ***2019*** | ***2018*** |
| | *(In thousands)* | |
| Balance, beginning of period | $ 432,359 | $ 470,083 |
| Less: reinsurance recoverable on unpaid losses | 250,507 | 315,353 |
| Net balance, beginning of period | 181,852 | 154,730 |
| Incurred related to: | | |
| Current year | 62,725 | 51,361 |
| Prior years | (586) | 1,730 |
| Total incurred | 62,139 | 53,091 |
| Paid related to: | | |
| Current year | 8,362 | (1,252) |
| Prior years | 45,616 | 46,737 |
| Total paid | 53,978 | 45,485 |
| Net balance, end of period | 190,013 | 162,336 |
| Plus: reinsurance recoverable on unpaid losses | 214,471 | 385,399 |
| Balance, end of period | $ 404,484 | $ 547,735 |

As of March 31, 2019, we reported $ 190.0 million in unpaid losses and loss adjustment expenses, net of reinsurance which included $ 143.1 million attributable to IBNR net of reinsurance recoverable , or 75 % of net reserves for unpaid losses and loss adjustment expenses.

The Company's losses incurred for the three months ended March 31, 2019 and 2018 reflect favorable development of $0.6 million and unfavorable development of $1.7 million, respectively, associated with management's best estimate of the actuarial loss and LAE reserves with consideration given to Company specific historical loss experience. While a portion of the 2018 development includes additional retention for hurricane losses, the majority of the 2018 loss development related to personal lines litigated and AOB claims from 2016 and 2017 accident years.

**NOTE 14 . LONG-TERM DEBT**

**Convertible Senior Notes**

In August 2017 and September 2017, we issued in aggregate $136.8 million of 5.875% Convertible Senior Notes ("Convertible Notes") maturing on August 1, 2037, unless earlier repurchased, redeemed or converted. Interest is payable semi-annually in arrears, on February 1, and August 1 of each year, commencing in 2018.

As of March 31, 2019, we have $20.8 million Convertible Notes outstanding, net of issuance and debt discount costs in aggregate of approximately, $2.6 million. For the first quarters of 2019 and 2018, the Company made interest payments of approximately $1.5 million and $3.7 million, respectively on the Convertible Notes.

**Debt Extinguishment**

On February 19, 2019, the Company reacquired $5.8 million of its outstanding Convertible Notes, payment was made in cash of approximately $2.9 million and issuance of 285,201 shares of the Company's common stock valued at $4.2 million. The repurchase resulted in a $48,000 non-operating loss.

**Senior Secured Credit Facility**

In December 2018, the Company entered in to a five-year, $125 million credit agreement (the "Credit Agreement") with a syndicate of lenders consisting of $75 million senior secured term loan facility (the "Term Loan Facility") and a $50.0 million senior secured revolving credit facility (the "Revolving Credit Facility" and together with the Term Loan Facility, the "Credit Facilities").

*Term Loan Facility:* The principal amount of the Term Loan Facility amortizes in quarterly installments, beginning with the close of the fiscal quarter ending March 31, 2019, in an amount equal to $1.9 million per quarter, with the remaining balance payable at maturity. As of December 31, 2018, there was $75.0 million in aggregate principal outstanding on the Term Loan Facility. As of March 31, 2019, the balance of the term loan was $73.1 million. For the three months ended March 31, 2019, the Company made interest payments of approximately $1.1 million on the term loan.

*Revolving Credit Facility* : The Revolving Credit Facility allows for borrowings of up to $50.0 million inclusive of a $5.0 million sublimit for the issuance of letters of credit and a $10.0 million sublimit for swingline loans. As of March 31, 2019, the Company had $10.0 million of borrowings and no letters of credit outstanding under the Revolving Credit Facility. For the three months ended March 31, 2019, the Company made interest payments of approximately $251,700 under the credit facility.

**Mortgage Loan**

In October 2017, the Company and its subsidiary, Skye Lane Properties LLC, jointly obtained a commercial real estate mortgage loan in the amount of $12.7 million, bearing interest of 4.95% per annum and expiring on October 30, 2027. On October 30, 2022, the interest rate shall adjust to an interest rate equal to the annualized interest rate of the United States 5-year Treasury Notes as reported by Federal Reserve on a weekly average basis plus 3.10%. The Company makes monthly principal and interest payments against the loan. For each of the first quarters of 2019 and 2018, the Company made principal and interest payments of approximately $223,200 on the mortgage loan.

**FHLB Loan Agreements**

In November 2018, a subsidiary of the Company received a fixed interest rate 3.094% cash loan of $19.2 million from the Federal Home Loan Bank ("FHLB") Atlanta. In connection with the agreement, the subsidiary became a member of FHLB. Membership in the FHLB required an investment in FHLB's common stock which was purchased in December 2018 and valued at $1.4 million. Additionally, the transaction required securities be pledged as collateral. As of March 31, 2019, the fair value of the collateralized securities was $24.2 million and the equity investment in FHLB common stock was $1.4 million. As of March 31, 2019, the Company made quarterly interest payments of approximately $148,500 per the terms of the agreement.

The following table summarizes the Company's long-term debt as of March 31, 2019 and December 31, 2018:

| | *March 31, 2019* | *December 31, 2018* |
|---|---|---|
| | *(In thousands)* | |
| Convertible debt | $ 23,413 | $ 29,163 |
| Mortgage loan | 12,324 | 12,394 |
| Term loan facility | 73,125 | 75,000 |
| Revolving credit facility | 10,000 | 20,000 |
| FHLB loan agreement | 19,200 | 19,200 |
| Total principal amount | $ 138,062 | $ 155,757 |
| Less: unamortized discount and issuance costs | $ 5,886 | $ 6,963 |
| Total long-term debt | $ 132,176 | $ 148,794 |

As of the date of this report, we were in compliance with the applicable terms of all our covenants and other requirements under the Revolving agreement, Term Note, Convertible Debt, cash borrowings and other loans. Our ability to secure future debt financing depend, in part, on our ability to remain in such compliance. As long as there is no default or an event of default exist we are allowed to payout dividends in an aggregate amount not to exceed $10.0 million in any fiscal year.

The schedule of principal payments on long-term debt is as follows:

| **Year** | **Amount** |
|---|---|
| | *(In thousands)* |
| 2019 remaining | $ 5,832 |
| 2020 | 7,790 |
| 2021 | 7,806 |
| 2022 | 7,822 |
| 2023 | 74,589 |
| Thereafter | 34,223 |
| **Total** | $ 138,062 |

## NOTE 15. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities consist of the following as of March 31, 2019 and December 31, 2018:

| ***Description*** | ***March 31, 2019*** | ***December 31, 2018*** |
|---|---|---|
| | *(In thousands)* | |
| Deferred ceding commission | $ 40,474 | $ 44,996 |
| Outstanding claim checks | 15,624 | 15,360 |
| Accounts payable and other payables | 11,051 | 8,379 |
| Lease obligations | 8,581 | — |
| Accrued interest and issuance costs | 697 | 1,285 |
| Accrued dividends | 1,807 | 1,589 |
| Premium tax | 406 | 2,241 |
| Current income taxes | 5,725 | — |
| Other liabilities | — | 460 |
| Commission payables | $ 10,782 | 11,654 |
| Total other liabilities | $ 95,147 | $ 85,964 |

## NOTE 16. STATUTORY ACCOUNTING AND REGULATIONS

State laws and regulations, as well as national regulatory agency requirements, govern the operations of all insurers such as our insurance subsidiaries. The various laws and regulations require that insurers maintain minimum amounts of statutory surplus and risk-based capital, restrict insurers' ability to pay dividends, restrict the allowable investment types and investment mixes, and subject the Company's insurers to assessments.

The Company's insurance subsidiaries must maintain capital and surplus ratios or balances as determined by the regulatory authority of the states in which they are domiciled. Heritage P&C is required to maintain capital and surplus equal to the greater of $15 million or 10% of their respective liabilities. Zephyr is required to maintain a deposit of $750,000 in a federally insured financial

ins titution. NBIC is required to maintain capital and surplus of $3.0 million. The combined statutory surplus for Heritage P&C, Zephyr and NBIC was $ 366.6 million for the three months ended March 31, 2019. The combined statutory surplus for Heritage P&C, Zephyr and NBIC was $ 376.3 million at December 31, 2018 . State law also requires the Company's insurance subsidiaries to adhere to prescribed premium-to-capital surplus ratios, with which the Company is in compliance. At March 31, 2019 , our insurance subsi diaries met the financial and regulatory requirements of the states in which they do business.

**NOTE 17. COMMITMENTS AND CONTINGENCIES**

The Company is involved in claims-related legal actions arising in the ordinary course of business. The Company accrues amounts resulting from claims-related legal actions in unpaid losses and loss adjustment expenses during the period that it determines an unfavorable outcome becomes probable and it can estimate the amounts. Management makes revisions to its estimates based on its analysis of subsequent information that the Company receives regarding various factors, including: (i) per claim information; (ii) company and industry historical loss experience; (iii) judicial decisions and legal developments in the awarding of damages; and (iv) trends in general economic conditions, including the effects of inflation. When determinable, the Company discloses the range of possible losses in excess of those accrued and for reasonably possible losses.

**NOTE 18. RELATED PARTY TRANSACTIONS**

The Company has been party to various related party transactions involving certain of its officers, directors and significant stockholders as set forth below. The Company has entered into each of these arrangements without obligation to continue its effect in the future and the associated expense was immaterial to its results of operations or financial position as of March 31, 2019 and 2018.

- In January 2017, the Company entered into a consulting agreement with Mrs. Shannon Lucas, the wife of the Chairman and CEO, in which she agreed to provide consulting services related to the Company's catastrophe reinsurance and risk management program at a rate of $400 per hour. The consulting agreement has no specific term and either party may terminate the agreement upon providing written notice. Additionally, she serves as a director of Heritage P&C with an annual compensation of $150,000. For the three months ended March 31, 2019 and 2018 the Company paid consulting fees to Ms. Lucas of approximately $102,800 and $171,000, respectively

**NOTE 19. EMPLOYEE BENEFIT PLANS**

The Company provides a 401(k) plan for substantially all employees. The Company provides a matching contribution of 100% on the first 3% of employees' contribution and 50% on the next 2% of the employees' contribution to the plan. The maximum match is 4%. For the three-month periods ended March 31, 2019 and 2018, the contributions made to the plan on behalf of the participating employees were approximately $255,700 and $394,200, respectively.

The Company provides for its employees a partially self-insured healthcare plan and benefits. For the three months ended March 31, 2019 and 2018, incurred medical premium costs amounted to an aggregate of $841,400 and $853,000, respectively. An additional liability of approximately $303,000 was recorded for unpaid claims as of March 31, 2019. A stop loss reinsurance policy caps the maximum loss that could be incurred by the Company under the self-insured plan. The Company's stop loss coverage per employee is $150,000 for which any excess cost would be covered by the reinsurer subject to an aggregate limit for losses in excess of $1.5 million which would provide up to $1.0 million of coverage. Any excess of the $1.5 million retention and the $1 million of aggregate coverage would be borne by the Company. The aggregate stop loss commences once our expenses exceed 125% of the annual aggregate expected claims.

**NOTE 20. EQUITY**

The total amount of authorized capital stock consists of 50,000,000 shares of common stock and 5,000,000 shares of preferred stock. As of March 31, 2019, the Company had 29,432,217 shares of common stock outstanding, 7,562,537 treasury shares of common stock and 580,801 unvested shares of restricted common stock issued reflecting total paid-in capital of $328.9 million as of such date.

As more fully disclosed in our audited consolidated financial statements for the year ended December 31, 2018, there were, as of December 31, 2018, 29,477,756 shares of common stock outstanding, 7,214,797 treasury shares of common stock and 605,801 unvested shares of restricted common stock, representing $325.3 million of additional paid-in capital.

**Common Stock**

Holders of common stock are entitled to one vote for each share held on all matters subject to a vote of stockholders, subject to the rights of holders of any outstanding preferred stock. Accordingly, holders of a majority of the shares of common stock entitled to vote in any election of directors may elect all of the directors standing for election, subject to the rights of holders of any outstanding

preferred stock. Holders of common stock will be entitled to receive ratably any dividends that the board of directors may declare out of funds legally ava ilable therefor, subject to any preferential dividend rights of outstanding preferred stock. Upon the Company's liquidation, dissolution or winding up, the holders of common stock will be entitled to receive ratably its net assets available after the payme nt of all debts and other liabilities and subject to the prior rights of holders of any outstanding preferred stock. Holders of common stock have no preemptive, subscription, redemption or conversion rights. There are no redemption or sinking fund provisio ns applicable to the common stock. All outstanding shares of the Company's capital stock are fully paid and nonassessable.

**Stock Repurchase Program**

On August 1, 2018, the Company announced that its Board of Directors authorized a stock repurchase program authorizing the Company to repurchase up to $50 million of its common stock through December 31, 2020 under our current Rule 10b5-1 trading plan, which allows the Company to purchase shares below a predetermined price per share. During the first quarter of 2019, the Company purchased 347,740 shares of its common stock for $5.0 million. At March 31, 2019, the Company has the capacity to repurchase $45.0 million of its common shares until December 2020. During the first quarter of 2018, the Company repurchased 115,200 shares of its common stock for $2.0 million.

**Dividends**

On February 25, 2019, the Company's Board of Directors declared a $0.06 per share quarterly dividend payable on April 3, 2019, to shareholders of record as of March 15, 2019. The declaration and payment of any future dividends will be subject to the discretion of the Board of Directors and will depend on a variety of factors including the Company's financial condition and results of operations.

**NOTE 21. STOCK-BASED COMPENSATION**

**Restricted Stock**

The Company has adopted the Heritage Insurance Holdings, Inc., Omnibus Incentive Plan (the "Plan") effective on May 22, 2014. The Plan authorized 2,981,737 shares of common stock for issuance under the Plan for future grants. As of December 31, 2018, all unexercised shares have been forfeited.

At March 31, 2019 there were 1,321,398 shares available for grant under the Plan. The Company recognizes compensation expense under ASC 718 for its stock-based payments based on the fair value of the awards.

In 2018, the Board of Directors granted 155,801 restricted shares vesting over three to five years, to the Company's executives and other key employees. No restricted stock was granted during quarter ended March 31, 2019.

The Company grants stock options at exercise prices equal to the fair market value of the Company's stock on the dates the options are granted. The options have a maximum term of ten years from the date of grant and vest primarily in equal annual installments over a range of one to five-year periods following the date of grant for employee options. If a participant's employment relationship ends, the participant's vested awards will remain exercisable for the shorter of a period of 30 days or the period ending on the latest date on which such award could have been exercisable. The fair value of each option grant is separately estimated for each grant date. The fair value of each option is amortized into compensation expense on a straight-line basis between the grant date for the award and each vesting date. The Company estimates the fair value of all stock option awards as of the date of the grant by applying the Black-Scholes-Merton multiple-option pricing valuation model. The application of this valuation model involves assumptions that are judgmental and highly sensitive in the determination of compensation expense.

The Company has also granted shares of its common stock subject to certain restrictions under the Plan. Restricted stock awards granted to employees vest in equal installments generally over a five-year period from the grant date subject to the recipient's continued employment. The fair value of restricted stock awards is estimated by the market price at the date of grant and amortized on a straight-line basis to expense over the period of vesting. Recipients of restricted stock awards have the right to receive dividends.

Restricted stock activity for the quarter ended March 31, 2019 is as follows:

| | Number of shares | Weighted-Average Grant-Date Fair Value per Share |
|---|---|---|
| **Non-vested, at December 31, 2018** | 605,801 | $ 20.41 |
| Granted | — | — |
| Vested | (17,000) | 14.72 |
| Canceled and surrendered | (8,000) | 14.72 |
| **Non-vested, at March 31, 2019** | 580,801 | $ 20.65 |

Awards are being amortized to expense over the three to five-year vesting period. The Company recognized $ 1.3 million and $ 1.3 million of compensation expense for the three months ended March 31, 2019 and 2018, respectively. There was approximately $ 9.6 million of unrecognized compensation expense related to the un-vested restricted stock at March 31, 2019. The Company expects to recognize substantially all of remaining compensation expense over approximately over the next 1.9 years. During the quarter ended March 31, 2019, 25,000 restricted shares were vested and released, all of which had been granted to employees. Of the shares released to employees, 8,000 shares were withheld by the Company to cover withholding taxes of $118,000. During the first quarter of 2018, no shares were vested and released.

**NOTE 22. SUBSEQUENT EVENTS**

The Company performed an evaluation of subsequent events through the date the financial statements were issued and determined there were no recognized or unrecognized subsequent events that would require an adjustment or additional disclosure in the financial statements as of March 31, 2019.

On May 6, 2019, the Company announced that its Board of Directors declared a $0.06 per share quarterly dividend payable on July 3, 2019 to stockholders of record as of June 14, 2019.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Opera tions**

*You should read the following discussion in conjunction with our condensed consolidated financial statements and related notes and information included and elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2018 ("2018 Form 10-K"). Unless the context requires otherwise, as used in this Form 10-Q, the terms "we", "us", "our", "the Company", "our company", and similar references refer to Heritage Insurance Holdings, Inc., a Delaware corporation, and its subsidiaries.*

**Financial Results Highlights for the Three Months Ended March 31, 2019**

- Net income was $7.0 million, or $0.24 per diluted share. Investment gains contributed approximately $0.8 million to net income, or $0.03 per diluted share.
- Gross premiums written were $210.3 million, up 2.9% year-over-year, including 6.6% growth outside Florida and 0.1% growth in Florida.
- Began writing personal residential business in Virginia and launched commercial residential product in New Jersey. Heritage is now actively writing personal residential business in twelve states (licensed in fifteen).
- Favorable prior year reserve development of $0.6 million, representing third consecutive quarter of favorable development.
- Net current accident year catastrophe losses of $15.0 million, including $10.2 million for Brevard County, FL hailstorm.
- Repurchased 347,740 shares for $5.0 million at a 3% discount to first quarter 2019 book value per share, resulting in total capital returned to shareholders of $6.8 million in the quarter, including $0.06 per share regular quarterly dividend.
- As previously disclosed, paid down $10.0 million of revolving credit facility debt and repurchased an incremental $5.8 million principal amount of convertible notes ($23.4 million principal amount of convertible notes remain outstanding with third parties), taking the debt-to-capital ratio to 24.1%, down 10.7 points year-over-year and 2.7 points sequentially.

**Critical Accounting Policies and Estimates**

When we prepare our consolidated financial statements and accompanying notes in conformity with U.S. generally accepted accounting principles (GAAP), we must make estimates and assumptions about future events that affect the amounts we report. Certain of these estimates result from judgments that can be subjective and complex. As a result of that subjectivity and complexity, and because we continuously evaluate these estimates and assumptions based on a variety of factors, actual results could materially differ from our estimates and assumptions if changes in one or more factors require us to make accounting adjustments. During the three months ended March 31, 2019, we reassessed our critical accounting policies and estimates as disclosed within our 2018 Form 10-K; we have made no material changes or additions with regard to such policies and estimates.

**Results of Operations**

The following table reports our unaudited results of operations for the three months ended March 31, 2019 and 2018:

| | For the Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | *2019* | *2018* | *$ Change* | *% Change* |
| | *(In thousands)* | | | |
| **REVENUE:** | | | | |
| Gross premiums written | $ 210,348 | $ 204,366 | $ 5,982 | 3% |
| Change in gross unearned premiums | 18,242 | 22,797 | (4,555) | (20)% |
| Gross premiums earned | 228,590 | 227,163 | 1,427 | 1% |
| Ceded premiums | (118,899) | (121,055) | 2,156 | (2)% |
| Net premiums earned | 109,691 | 106,108 | 3,583 | 3% |
| Net investment income | 3,672 | 3,302 | 370 | 11% |
| Net realized gains (losses) | 1,024 | (227) | 1,251 | NM |
| Other revenue | 3,874 | 2,843 | 1,031 | 36% |
| **Total revenue** | $ 118,261 | $ 112,026 | $ 6,236 | 6% |
| | | | | |
| **OPERATING EXPENSES:** | | | | |
| Losses and loss adjustment expenses | 62,139 | 53,091 | 9,048 | 17% |
| Policy acquisition costs | 26,020 | 12,187 | 13,833 | 114% |
| General and administrative expenses | 18,604 | 21,931 | (3,327) | (15)% |
| Total operating expenses | 106,763 | 87,209 | 19,554 | 22% |
| **Operating income** | 11,498 | 24,817 | (13,319) | (54)% |
| Interest expense, net | 2,117 | 4,820 | (2,703) | (56)% |
| Other non-operating expense, net | 48 | — | 48 | NM |
| Income before income taxes | 9,333 | 19,997 | (10,663) | (53)% |
| Provision for income taxes | 2,369 | 5,168 | (2,799) | (54)% |
| **Net income** | $ 6,964 | $ 14,829 | $ (7,864) | (53)% |
| Basic net income per share | $ 0.24 | $ 0.58 | $ (0.34) | (59)% |
| Diluted net income per share | $ 0.24 | $ 0.55 | $ (0.31) | (57)% |

NM= Not Meaningful

***Comparison of the Three Months Ended March 31, 2019 and 2018***

***Revenue***

Gross premiums written

Gross premiums written were $210.3 million in first quarter 2019, up 2.9% from $204.4 million in the prior year quarter. The increase reflects further diversification, as gross premiums written grew 6.6% outside Florida, but only 0.1% in Florida. Premiums-in-force were $930.1 million at quarter-end, up 0.7% year-over-year, including 4.7% growth outside Florida and a 2.4% decline in Florida. Sequentially, premiums-in-force increased 0.7%, including 1.8% growth outside Florida and a 0.3% decline in Florida.

Gross premiums earned

Gross premiums earned were $228.6 million in first quarter 2019, up 0.6% from $227.2 million in the prior year quarter. This increase stems from the same items impacting gross premiums written.

Ceded premiums earned

Ceded premiums earned were $118.9 million, down 1.8% from $121.1 million in the prior year quarter. The decrease is primarily attributable to NBIC-related reinsurance synergies and a decline in NBIC's gross quota share reinsurance program from 18.75% to 8.0%, partially offset by an increase in NBIC's net quota share reinsurance program from 49.5% to 52%.

Net premiums earned

Net premiums earned were $109.7 million, up 3.4% from $106.1 million in the prior year quarter. The increase stems from higher gross premiums earned and lower ceded premiums earned, as described above.

Net investment income

Net investment income, inclusive of realized investment gains and unrealized gains on equity securities, was $4.7 million, up $1.6 million year-over-year. The increase relates primarily to unrealized gains on equity securities in the current year quarter.

Other revenue

Other revenue was $3.9 million in the current year quarter, up $1.0 million year-over-year reflecting unrealized loss on equity securities recognized in 2018.

Total revenue

Total revenue was $118.3 million in the current year quarter, up 5.6% year-over-year. The increase primarily stems from higher net premiums earned, net investment income and other revenue, as described above.

***Operating Expenses***

Losses and loss adjustment expenses

Losses and loss adjustment expenses ("LAE") were $62.1 million in the current year quarter, up $9.0 million from $53.1 million in the prior year quarter. The increase stems primarily from a higher net loss ratio in the current year quarter.

Policy acquisition costs

Policy acquisition costs were $26.0 million in the current year quarter, up $13.8 million from $12.2 million in the prior year quarter. The increase primarily reflects the favorable impact of NBIC-related purchase accounting on the prior year quarter and reduced ceding commission income in the current year quarter associated with a reduction to NBIC's gross quota share reinsurance program from 18.75% to 8.0%. The favorable 2018 purchase accounting impact occurred predominantly in the first two quarters and was limited thereafter, as acquisition costs increased with new business.

General and administrative expenses

General and administrative expenses were $18.6 million in the current year quarter, down $3.3 million from $21.9 million in the prior year quarter. The decrease is primarily attributable to lower EBITDA, and consequently, lower compensation accruals for compensation tied to EBITDA, in the current year quarter.

Interest and amortization of debt issuance costs

Interest expense and amortization of debt issuance costs were $2.1 million in the current year quarter, down $2.7 million from $4.8 million in the prior year quarter. The decrease primarily reflects a $53.0 million year-over-year reduction in balance sheet long-term debt and a lower blended interest rate on outstanding debt

Provision for income taxes

Provision for income taxes was $2.4 million and $5.2 million for first quarter 2019 and 2018, respectively. The effective tax rate for the current year quarter is 25.4%, 40 basis points below the prior year quarter's 25.8% rate. The effective tax rate can fluctuate throughout the year as estimates used in the first quarter's tax provision are updated with additional information throughout the year.

Net income

First quarter 2019 net income was $7.0 million ($0.24 per diluted share) compared to $14.8 million ($0.55 cents per diluted share) in the prior year quarter. The decrease primarily reflects a higher net expense ratio stemming from the favorable impact of purchase accounting on the prior year quarter and a higher net loss ratio.

***Ratios***

| | For the Three Months Ended March 31, | |
|---|---|---|
| | ***2019*** | ***2018*** |
| | (unaudited) | |
| Gross ceded premium ratio | 52.0% | 53.3% |
| | | |
| Net loss and LAE ratio | 56.6% | 50.0% |
| Net operating expense ratio | 40.7% | 32.2% |
| Net combined ratio | 97.3% | 82.2% |

Gross ceded premium ratio

The gross ceded premium ratio was 52.0% in first quarter 2019, down 1.3 points from 53.3% in the prior year quarter. The decrease is primarily attributable to NBIC-related reinsurance synergies and a decline in NBIC's gross quota share reinsurance program from 18.8% to 8.0%, partly offset by an increase in NBIC's net quota share program from 49.5% to 52.0%.

Net loss and LAE ratio

The net loss and LAE ratio was 56.6% in first quarter 2019, up 6.6 points from 50.0% in the prior year quarter. The increase relates to higher current accident quarter net losses and LAE, partly offset by better reserve development and a lower ceded premium ratio.

Net operating expense ratio

The net operating expense ratio was 40.7% in first quarter 2019, up 8.5 points from 32.2% in the prior year quarter. The increase primarily stems from the favorable impact of NBIC-related purchase accounting on the prior year quarter and reduced ceding commission income in the current year quarter associated with an overall reduction to NBIC's quota share reinsurance programs, partly offset by a lower ceded premium ratio.

Net combined ratio

The net combined ratio was 97.3% in first quarter 2019, up 15.1 points from 82.2% in the prior year quarter. The increase stems from higher net loss and operating expense ratios, as described above.

**Liquidity and Capital Resources**

As of March 31, 2019, we had $279.7 million of cash and cash equivalents, which primarily consisted of cash and money market accounts. We generally hold substantial cash balances to meet seasonal liquidity needs including amounts to pay quarterly reinsurance installments as well as meet the collateral requirements of Osprey Re Ltd. ("Osprey"), our captive reinsurance company. In addition, we have $12.3 million in restricted cash to meet our contractual obligations related to the catastrophe bonds issued by Citrus Re Ltd.

Osprey is required to maintain a collateral trust account equal to the risk that it assumes from our insurance company affiliates. At March 31, 2019, approximately $20 million was held in Osprey's trust account.

Although we can provide no assurances, we believe that we maintain sufficient liquidity to pay our insurance company affiliates' claims and expenses, as well as to satisfy commitments in the event of unforeseen events such as inadequate premium rates or reserve deficiencies. We maintain a comprehensive reinsurance program at levels management considers adequate to diversify risk and safeguard our financial position.

Although we can provide no assurance, we believe our current capital resources, together with cash provided from our operations, will be sufficient to meet currently anticipated working capital requirements for at least the next twelve months.

**Cash Flows**

| | For the Three Months Ended March 31, | | |
|---|---|---|---|
| | 2019 | 2018 | Change |
| | (in thousands) | | |
| Net cash provided by (used in): | | | |
| Operating activities | $ 85,322 | $ (12,132) | $ 97,454 |
| Investing activities | (34,171) | 55,747 | (89,918) |
| Financing activities | (21,544) | (3,668) | (17,876) |
| Net increase (decrease) in cash and cash equivalents | $ 29,607 | $ 39,947 | $ (10,340) |

**Operating Activities**

Net cash provided by operating activities was $85.3 million for the three months ended March 31, 2019 compared to cash used of $12.1 million for the three months ended March 31, 2018. The increase in cash from operating activities relates primarily to collection of reinsurance on catastrophe claims and a reduction of unpaid losses and loss adjustment expenses during the first quarter of 2019 compared to the first quarter of 2018.

**Investing Activities**

Net cash used in investing activities for the three months ended March 31, 2019 was $34.2 million as compared to cash provided of $55.7 million for the comparable period in 2018. The cash provided by investing activities in the first quarter of 2018 relates to investments sold during the quarter, primarily to fund payments of Hurricane Irma claims pending reinsurance recoveries whereas we increased invested assets during the first quarter of 2019.

**Financing Activities**

Net cash used in financing activities for the three months ended March 31, 2019 was $21.5 million, as compared to cash used in financing activities of $3.7 million for the comparable period in 2018. The increase in cash used in financing activities is due primarily to stock repurchased under the stock repurchase program in the current year, principal payment on the revolving credit line and purchase of Convertible Senior Notes during the first quarter of 2019.

*Credit Facilities*

On December 14, 2018, Heritage Insurance Holdings, Inc. (the "Company"), as borrower, entered into a five-year, $125 million credit agreement (the "Credit Agreement") by and among the Company, certain subsidiaries of the Company from time to time party thereto as guarantors, the lenders from time to time party thereto (the "Lenders"), Regions Bank, as Administrative Agent and Collateral Agent, BMO Harris Bank N.A., as Syndication Agent, Hancock Whitney Bank and Canadian Imperial Bank of Commerce, as Co-Documentation Agents, and Regions Capital Markets and BMO Capital Markets Corp., as Joint Lead Arrangers and Joint Bookrunners.

Pursuant to the Credit Agreement, the participating Lenders agreed to provide (1) a senior secured term loan facility in an aggregate principal amount of $75 million (the "Term Loan Facility") and (2) a senior secured revolving credit facility in an aggregate principal amount of $50 million (inclusive of a $5 million sublimit for the issuance of letters of credit and a $10 million sublimit for swingline loans) (the "Revolving Credit Facility" and together with the Term Loan Facility, the "Credit Facilities").

At our option, borrowings under the Credit Facilities bear interest at rates equal to either (1) a rate determined by reference to LIBOR (based on one, two, three or six-month interest periods), adjusted for statutory reserve requirements, plus an applicable margin (equal to 3.25% as of the Closing Date) or (2) a base rate determined by reference to the greatest of (a) the "prime rate" of Regions Bank, (b) the federal funds rate plus 0.50%, and (c) the LIBOR index rate applicable for an interest period of one month plus 1.00%, plus an applicable margin (equal to 2.25%).

The applicable margin for loans under the Credit Facilities varies from 3.25% per annum to 3.75% per annum (for LIBOR loans) and 2.25% to 2.75% per annum (for base rate loans) based on our consolidated leverage ratio. Interest payments with respect to the Credit Facilities are required either on a quarterly basis (for base rate loans) or at the end of each interest period (for LIBOR loans) or, if the duration of the applicable interest period exceeds three months, then every three months. As of March 31, 2019, the borrowing under our Credit Facilities were accruing interest at a rate of 5.8125% per annum.

In addition to paying interest on outstanding borrowings under the Revolving Credit Facility, we are required to pay a quarterly commitment fee based on the unused portion of the Revolving Credit Facility, which is determined by our consolidated leverage ratio.

Each of the Revolving Credit Facility and the Term Loan Facility mature on December 14, 2023. The principal amount of the Term Loan Facility amortizes in quarterly installments, beginning with the close of the fiscal quarter ending March 31, 2019, in an amount equal to $1,875,000 per quarter, payable monthly or quarterly, with the balance payable at maturity.

The Company may prepay the loans under the Credit Facilities, in whole or in part, at any time without premium or penalty, subject to certain conditions including minimum amounts and reimbursement of certain costs in the case of prepayments of LIBOR loans. In addition, the Company is required to prepay the loan under the Term Loan Facility with the proceeds from certain financing transactions, involuntary dispositions or asset sales (subject, in the case of asset sales, to reinvestment rights).

All obligations under the Credit Facilities are or will be guaranteed by each existing and future direct and indirect wholly-owned domestic subsidiary of the Company, other than all of the Company's current and future regulated insurance subsidiaries (collectively, the "Guarantors").

The Company and the Guarantors entered into a Pledge and Security Agreement, on December 14, 2018 (the "Security Agreement"), in favor of Regions Bank, as collateral agent. Pursuant to the Security Agreement, amounts borrowed under the Credit Facilities are secured on a first priority basis by a perfected security interest in substantially all of the present and future assets of the Company and each Guarantor (subject to certain exceptions), including all of the capital stock of the Company's domestic subsidiaries, other than its regulated insurance subsidiaries.

The Credit Agreement contains, among other things, covenants, representations and warranties and events of default customary for facilities of this type. The Company is required to maintain, as of each fiscal quarter (1) a maximum consolidated leverage ratio of 3.25 to 1.00 for each fiscal quarter ending on or before December 31, 2019, stepping down on each of the three anniversaries thereafter; (2) a minimum consolidated fixed charge coverage ratio of 1.20 to 1.00 and (3) a minimum consolidated net worth for the Company and its subsidiaries. Events of default include, among other events, (i) nonpayment of principal, interest, fees or other amounts; (ii) failure to perform or observe certain covenants set forth in the Credit Agreement; (iii) breach of any representation or warranty; (iv) cross-default to other indebtedness; (v) bankruptcy and insolvency defaults; (vi) monetary judgment defaults and material nonmonetary judgment defaults; (vii) customary ERISA defaults; (viii) a change of control of the Company; and (ix) failure to maintain specified catastrophe retentions in each of the Company's regulated insurance subsidiaries.

*Convertible Notes*

On August 10, 2017, the Company and Heritage MGA, LLC (the "Guarantor") entered into a purchase agreement (the "Purchase Agreement") with Citigroup Global Markets Inc., as the initial purchaser (the "Initial Purchaser"), pursuant to which the Company agreed to issue and sell, and the Initial Purchaser agreed to purchase, $125.0 million aggregate principal amount of the Company's 5.875% Convertible Senior Notes due 2037 (the "Convertible Notes") in a private placement transaction pursuant to Rule 144A under the Securities Act, as amended (the "Securities Act") (the "Offering"). The Purchase Agreement contained customary representations, warranties and agreements of the Company and the Guarantor and customary conditions to closing, indemnification rights and obligations of the parties and termination provisions. The net proceeds from the Offering, after deducting discounts and commissions and estimated offering expenses payable by the Company, were approximately $120.5 million. The Offering was completed on August 16, 2017.

The Company issued the Convertible Notes under an Indenture (the "Convertible Note Indenture"), dated August 16, 2017, by and among the Company, as issuer, the Guarantor, as guarantor, and Wilmington Trust, National Association, as trustee (the "Trustee").

The Convertible Notes bear interest at a rate of 5.875% per year. Interest began accruing on August 16, 2017 and is payable semi-annually in arrears, on February 1 and August 1 of each year, starting on February 1, 2018. The Convertible Notes are senior unsecured obligations of the Company that rank senior in right of payment to the Company's future indebtedness that is expressly subordinated in right of payment to the Convertible Notes; equal in right of payment to the Company's unsecured indebtedness that is not so subordinated; effectively junior to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness or other liabilities incurred by the Company's subsidiaries other than the Guarantor, which fully and unconditionally guarantee the Convertible Notes on a senior unsecured basis.

The Convertible Notes mature on August 1, 2037, unless earlier repurchased, redeemed or converted.

Holders may convert their Convertible Notes at any time prior to the c lose of business on the business day immediately preceding February 1, 2037, other than during the period from, and including, February 1, 2022 to the close of business on the second business day immediately preceding August 5, 2022, only under the followi ng circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on September 30, 2017, if the closing sale price of the Company's common stock, for at least 20 trading days (whether or not consecutive) in the period of 30 con secutive trading days ending on the last trading day of the calendar quarter immediately preceding the calendar quarter in which the conversion occurs, is more than 130% of the conversion price of the Convertible Notes in effect on each applicable trading day; (2) during the ten consecutive business-day period following any five consecutive trading-day period in which the trading price for the Convertible Notes for each such trading day was less than 98% of the closing sale price of the Company's common sto ck on such date multiplied by the then-current conversion rate; (3) if the Company calls any or all of the Convertible Notes for redemption, at any time prior to the close of business on the second business day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events.

During the period from and including February 1, 2022 to the close of business on the second business day immediately preceding August 5, 2022, and on or after February 1, 2037 until the close of business on the second business day immediately preceding August 1, 2037, holders may surrender their Convertible Notes for conversion at any time, regardless of the foregoing circumstances.

The conversion rate for the Convertible Notes was initially 67.0264 shares of common stock per $1,000 principal amount of Convertible Notes (equivalent to an initial conversion price of approximately $14.92 per share of common stock). The conversion rate is subject to adjustment in certain circumstances, and is subject to increase for holders that elect to convert their Convertible Notes in connection with certain corporate transactions (but not, at the Company's election, a public acquirer change of control (as defined in the Convertible Note Indenture)) that occur prior to August 5, 2022.

Upon the occurrence of a fundamental change (as defined in the Convertible Note Indenture) (but not, at the Company's election, a public acquirer change of control (as defined in the Convertible Note Indenture)), holders of the Convertible Notes may require the Company to repurchase for cash all or a portion of their Convertible Notes at a fundamental change repurchase price equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

Except as described below, the Company may not redeem the Convertible Notes prior to August 5, 2022. On or after August 5, 2022 but prior to February 1, 2037, the Company may redeem for cash all or any portion of the Convertible Notes, at the Company's option, at a redemption price equal to 100% of the principal amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the Convertible Notes, which means that the Company is not required to redeem or retire the Convertible Notes periodically. Holders of the Convertible Notes are able to cause the Company to repurchase their Convertible Notes for cash on any of August 1, 2022, August 1, 2027 and August 1, 2032, in each case at 100% of their principal amount, plus accrued and unpaid interest to, but excluding, the relevant repurchase date.

The Convertible Note Indenture contains customary terms and covenants and events of default. If an Event of Default (as defined in the Indenture) occurs and is continuing, the Trustee by notice to the Company, or the holders of at least 25% in aggregate principal amount of the Convertible Notes then outstanding by notice to the Company and the Trustee, may declare 100% of the principal of, and accrued and unpaid interest, if any, on, all the Convertible Notes to be immediately due and payable. In the case of certain events of bankruptcy, insolvency or reorganization (as set forth in the Convertible Note Indenture) with respect to the Company, 100% of the principal of, and accrued and unpaid interest, if any, on, the Notes automatically become immediately due and payable.

In the second quarter of 2018, the Company repurchased $10.6 million principal amount of Convertible Notes for cash. In the fourth quarter of 2018 and first quarter of 2019, the Company exchanged Convertible Notes in the aggregate principal amount of $81.6 million for a combination of cash and the issuance of an aggregate of 3,880,653 shares of the Company's common stock, leaving $23.4 million in aggregate principal amount outstanding.

*FHLB Loan Agreements*

In November 2018, a subsidiary of the Company pledged U.S. government and agency fixed maturity securities with an estimated fair value of $31.0 million as collateral and received $19.2 million in a cash loan under an advance agreement with the Federal Home Loan Bank ("FHLB") Atlanta. The loan originated on December 12, 2018 and bears a fixed interest rate of 3.094% with interest payments due quarterly commencing in March 2019. The principal balance on the loan has a maturity date of December 13, 2023. In connection with the agreement, the subsidiary became a member of FHLB. Membership in the FHLB required an investment in FHLB's common stock which was purchased on December 31, 2018 and valued at $1.4 million. The subsidiary is permitted to withdraw any portion of the pledged collateral over the minimum collateral requirement at any time, other than in the

event of a default by the subsidiary. The proceeds from the loan was used to prepay the Company's Senior Secured Notes due 2023 ("Senior Notes") in 2018. The Company does not have any Senior Notes outstanding as of March 31, 2019.

**Contractual Obligations**

The following table represents our contractual obligations for which cash flows are fixed or determinable as of March 31, 2019:

| | Total | Less Than 1 Year | 1-3 Years | 3-5 Years | More than 5 Years |
|---|---|---|---|---|---|
| | | | *(in thousands)* | | |
| Convertible debt | $ 39,575 | $ 1,032 | $ 2,751 | $ 2,751 | $ 33,041 |
| Note Payable | 104,329 | 9,671 | 24,552 | 70,106 | — |
| Mortgage loan | 21,057 | 670 | 1,786 | 1,786 | 16,815 |
| FHLB agreement | 22,066 | 455 | 1,206 | 20,405 | — |
| Lease obligations | 11,075 | 1,091 | 2,842 | 2,692 | 4,450 |
| Other obligations and commitments (1) | 169,262 | 169,262 | — | — | — |
| Total Contractual Obligations | $ 367,364 | $ 182,181 | $ 33,137 | $ 97,740 | $ 54,306 |

(1) Represents deposits premiums on reinsurance contracts

**Seasonality of our Business**

Our insurance business is seasonal as hurricanes typically occur during the period from June 1 through November 30 each year and winter storms generally impact the first and fourth quarters of each year. With our catastrophe reinsurance program effective on June 1 each year, any variation in the cost of our reinsurance, whether due to changes to reinsurance rates or changes in the total insured value of our policy base, will occur and be reflected in our financial results beginning June 1 of each year, subject to certain adjustments.

**Off-Balance Sheet Arrangements**

We do not have transactions with unconsolidated entities, such as entities often referred to as structured financial or special purpose entities, whereby we have financial guarantees, subordinated retained interest, derivative instruments, or other contingent arrangements that expose us to material continuing risks, contingent liabilities or any other obligation under a variable interest in an unconsolidated entity that provides financial, liquidity, market risk, or credit risk support to us.

**Recent Accounting Pronouncements**

The information set forth under Note 1 to the condensed consolidated financial statements under the caption "Basis of Presentation and Significant Accounting Policies" is incorporated herein by reference.

**JOBS Act**

We qualify as an "emerging growth company" under the JOBS Act. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

We are in the process of evaluating the benefits of relying on other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, if as an emerging growth company we choose to rely on such exemptions, we may not be required to, among other things, (i) provide an auditor's attestation report on our systems of internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, (ii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act, (iii) comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (auditor discussion and analysis), and (iv) disclose certain executive compensation-related items such as the correlation between executive compensation and performance and comparisons of the Chief Executive Officer's compensation to median employee compensation. These exemptions will apply until we no longer meet the requirements of being an emerging growth company. We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth

anniversary of the completion of our initial public offering, (b) i n which we have total annual gross revenue of at least $1.07 billion or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700 million as of the last business day of our prior second fiscal quarter, and (2) the date on which we have issued more than $1 billion in non-convertible debt during the prior three-year period.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Our investment portfolios at March 31, 2019 included fixed maturity and equity securities, the purposes of which are not for trading or speculation. Our main objective is to maximize after-tax investment income and maintain sufficient liquidity to meet policyholder obligations while minimizing market risk, which is the potential economic loss from adverse fluctuations in securities' prices. We consider many factors including credit ratings, investment concentrations, regulatory requirements, anticipated fluctuation of interest rates, durations and market conditions in developing investment strategies. Investment securities are managed by a group of nationally recognized asset managers and are overseen by the investment committee appointed by our board of directors. Our investment portfolios are primarily exposed to interest rate risk, credit risk and equity price risk. We classify our fixed maturity securities as available-for-sale and report any unrealized gains or losses, net of deferred income taxes, as a component of other comprehensive income within our stockholders' equity. We classify our equity securities as available-for-sale and report any unrealized gains or losses in the income statement. As such, any material temporary changes in the fair value of such securities can adversely impact the carrying value of our stockholders' equity.

*Interest Rate Risk*

Our fixed maturity securities are sensitive to potential losses resulting from unfavorable changes in interest rates. We manage the risk by analyzing anticipated movement in interest rates and considering our future capital needs.

The following table illustrates the impact of hypothetical changes in interest rates to the fair value of our fixed maturity securities at March 31, 2019 (in thousands):

| Hypothetical Change in Interest rates | Estimated Fair Value After Change | Change In Estimated Fair Value | Percentage Increase (Decrease) in Estimated Fair Value |
|---|---|---|---|
| 300 basis point increase | $ 472,832 | $ (55,108) | (10)% |
| 200 basis point increase | $ 491,203 | $ (36,737) | (7)% |
| 100 basis point increase | $ 509,572 | $ (18,368) | (3)% |
| 100 basis point decrease | $ 546,303 | $ 18,363 | 3% |
| 200 basis point decrease | $ 563,473 | $ 35,533 | 7% |
| 300 basis point decrease | $ 572,696 | $ 44,756 | 8% |

*Credit Risk*

Credit risk can expose us to potential losses arising principally from adverse changes in the financial condition of the issuer of our fixed maturities. We mitigate this risk by investing in fixed maturities that are generally investment grade and by diversifying our investment portfolio to avoid concentrations in any single issuer or market sector.

The following table presents the composition of our fixed maturity portfolio by rating at March 31, 2019 (in thousands):

| Comparable Rating | Amortized Cost | % of Total Amortized Cost | Estimated Fair Value | % of total Estimated Fair Value |
|---|---|---|---|---|
| AAA | $ 49,212 | 9% | $ 49,151 | 9% |
| AA+ | $ 176,927 | 33% | $ 176,004 | 33% |
| AA | $ 61,645 | 12% | $ 61,925 | 12% |
| AA- | $ 37,703 | 7% | $ 37,899 | 7% |
| A+ | $ 24,164 | 5% | $ 24,243 | 5% |
| A | $ 31,061 | 6% | $ 31,071 | 6% |
| A- | $ 39,492 | 7% | $ 39,426 | 7% |
| BBB+ | $ 39,521 | 7% | $ 39,784 | 8% |
| BBB | $ 17,120 | 3% | $ 17,050 | 3% |
| BBB- | $ 4,717 | 1% | $ 4,647 | 1% |
| BB+ | $ 720 | 0% | $ 734 | 0% |
| BB | $ 414 | 0% | $ 413 | 0% |
| BB- | $ 101 | 0% | $ 99 | 0% |
| B+ | $ 134 | 0% | $ 131 | 0% |
| B | $ 871 | 0% | $ 867 | 0% |
| NA and NR | $ 44,391 | 8% | $ 44,496 | 8% |
| **Total** | **$ 528,193** | **100%** | **$ 527,940** | **100%** |

*Equity Price Risk*

Our equity investment portfolio at March 31, 2019 consists of common stocks and redeemable and non-redeemable preferred stocks. We may incur potential losses due to adverse changes in equity security prices. We manage this risk primarily through industry and issuer diversification and asset allocation techniques.

The following table illustrates the composition of our equity portfolio at March 31, 2019 (in thousands):

| | Estimated Fair Value | % of Total Estimated Fair value |
|---|---|---|
| Stocks by sector: | | |
| Financial | $ 1,602 | 9% |
| Energy | 2,283 | 13% |
| Other | 13,489 | 78% |
| Subtotal | $ 17,375 | 100% |
| Mutual Funds and ETF By type: | | |
| Equity | $ — | — |
| Total | $ 17,375 | 100% |

*Foreign Currency Exchange Risk*

At March 31, 2019, we did not have any material exposure to foreign currency related risk.

**Item 4. Controls and Procedures.**

***Evaluation of Disclosure Controls and Procedures***

We maintain disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) that are designed to assure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

As required by Exchange Act Rule 13a-15(b), as of the end of the period covered by this Quarterly Report, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of

our disclosure controls and procedures. Based on this evaluation, our Chief Executive O fficer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2019.

***Changes in Internal Control over Financial Reporting***

There has been no change in our internal controls over financial reporting during our most recent quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We implemented internal controls to ensure we adequately assessed the impact of the new accounting standards related to leases on our financial statements to facilitate their adoption on January 1, 2019. There were no significant changes to our internal control over financial reporting due to the adoption of the new standard.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

The Company is a party to claims and legal actions arising routinely in the ordinary course of our business. Although we cannot predict with certainty the ultimate resolution of the claims and lawsuits asserted against us, we do not believe that any currently pending legal proceedings to which we are a party will have a material adverse effect on our consolidated financial position results of operations or cash flow.

### Item 1A. Risk Factors

The risk factors disclosed in the section entitled "Risk Factors" in our 2018 Form 10-K set forth information relating to various risks and uncertainties that could materially adversely affect our business, financial condition and operating results. Those risk factors continue to be relevant to an understanding of our business, financial condition and operating results. No material changes have occurred with respect to those risk factors.

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

***Issuer purchases of equity securities***

During the three months ended March 31, 2019, we purchased 347,740 shares of common stock for an aggregate purchase of $5.0 million under our share repurchase program. A summary of our common stock repurchases during the three months ended March 31, 2019 under our share repurchase program is set forth in the table below (in thousands, except shares):

| | Total Number of Shares Purchased | Average Price Paid Per Share (1) | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2) | Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| January 1, 2019 through January 31, 2019 | — | $ — | — | $ 50,000 |
| February 1, 2019 through February 28, 2019 | — | $ — | — | $ 50,000 |
| March 1, 2019 through March 31, 2019 | 347,740 | $ 14.56 | 347,740 | $ 44,989 |
| Total | 347,740 | | 347,740 | |

(1) Average price paid per share excludes cash paid for commissions.

(2) On August 1, 2018, the Company announced that its Board of Directors authorized a stock repurchase program authorizing the Company to repurchase up to $50 million of its common stock through December 31, 2020 under our current Rule 10b5-1 trading plan, which allows the Company to purchase shares below a predetermined price per share.

### Item 4. Mine Safety Disclosures

None

### Item 6. Exhibits

The information required by this Item 6 is set forth in the Index to Exhibits accompanying this Quarterly Report on Form 10-Q.

**Index to Exhibits**

| Exhibit Number | Description |
|---|---|
| 3.1 | Certificate of Incorporation of Heritage Insurance Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on August 6, 2014) |
| 3.2 | By-laws of Heritage Insurance Holdings, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q filed on August 6, 2014) |
| 4 | Form of Stock Certificate (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1/A (File No. 333-195409) filed on May 13, 2014) |
| 4.1 | Form of 5.875% Convertible Senior Notes due 2037 (included in Exhibit 4.1), incorporated by reference to 1.1 to our Form 8-K filed on August 16, 2017 |
| 4.2 | Indenture, date as of August 16, 2017, by and among the Company. Heritage MGA, LLC as guarantor, and Wilmington Trust, National Association, as trustee, incorporated by reference to Exhibit 4.1 to our Form 8-K filed on August 16, 2017 |
| 10.8* | Credit Agreement, dated December 14, 2018, among Heritage Insurance Holdings, Inc., certain subsidiaries of Heritage Insurance Holdings, Inc. from time to time party thereto as guarantors, the lenders from time to time party thereto, Regions Bank, as Administrative Agent and Collateral Agent, BMO Harris Bank N.A., as Syndication Agent, Hancock Whitney Bank and Canadian Imperial Bank of Commerce, as Co-Documentation Agents, and Regions Capital Markets and BMO Capital Markets Corp., as Joint Lead Arrangers and Joint Bookrunners |
| 31.1* | Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2* | Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1** | Certification of Chief Executive Officer pursuant to 18 U.SC. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2** | Certification of Chief Financial Officer pursuant to 18 U.SC. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | XBRL Instance Document |
| 101.SCH | 101. SCH XBRL Taxonomy Extension Schema. |
| 101.CAL | 101. CAL XBRL Taxonomy Extension Calculation Linkbase. |
| 101.DEF | 101. DEF XBRL Taxonomy Extension Definition Linkbase. |
| 101.LAB | 101. LAB XBRL Taxonomy Extension Label Linkbase. |
| 101.PRE | 101. PRE XBRL Taxonomy Extension Presentation Linkbase. |

* Filed herewith
** Furnished herewith

**SIGNAT URES**

Pursuant to the requirements of the Securities Exchange Act of 1934 as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**HERITAGE INSURANCE HOLDINGS, INC.**

Date: May 8, 2019

By: /s/ BRUCE LUCAS
Bruce Lucas
Chairman and Chief Executive Officer
(Principal Executive Officer and Duly Authorized Officer)

Date: May 8, 2019

By: /s/ KIRK LUSK
Kirk Lusk
Chief Financial Officer
(Principal Financial and Accounting Officer)

*Exhibit 10.8*
*Execution Copy*

CREDIT AGREEMENT

dated as of December 14, 2018

among

HERITAGE INSURANCE HOLDINGS, INC.
as Borrower,

CERTAIN SUBSIDIARIES OF THE BORROWER PARTY HERETO FROM TIME TO TIME,
as Guarantors,

THE LENDERS PARTY HERETO,

REGIONS BANK,
as the Administrative Agent and the Collateral Agent,

BMO HARRIS BANK N.A. ,
as Syndication Agent,

HANCOCK WHITNEY BANK,
and
CANADIAN IMPERIAL BANK OF COMMERCE,
as Co-Documentation Agents

REGIONS CAPITAL MARKETS ,
and
BMO CAPITAL MARKETS CORP.,
as Joint Lead Arrangers and Joint Bookrunners

**TABLE OF CONTENTS**

*Page*

Appendices



Schedules



Exhibits

CREDIT AGREEMENT

This CREDIT AGREEMENT, dated as of December 14, 2018 (as amended, restated, increased, extended, supplemented and/or otherwise modified from time to time, this " Agreement "), is entered into by and among HERITAGE INSURANCE HOLDINGS, INC. , a Delaware corporation (the " Borrower "), certain Subsidiaries of the Borrower from time to time party hereto, as Guarantors, the Lenders from time to time party hereto, and REGIONS BANK, as administrative agent (in such capacity, " Administrative Agent ") and collateral agent (in such capacity, " Collateral Agent ").

RECITALS:

WHEREAS, the Borrower has requested that the Lenders provide revolving credit and term loan facilities for the purposes set forth herein; and

WHEREAS, the Lenders have agreed to make the requested facilities available on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of these premises and the mutual covenants and agreements contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties hereto covenant and agree as follows:

**Article 1**

**DEFINITIONS AND INTERPRETATION**

Section 1.1 Definitions. The following terms used herein, including in the introductory paragraph, recitals, exhibits and schedules hereto, shall have the following meanings:

" Acquisition " means, with respect to any Person, the acquisition by such Person, in a single transaction or in a series of related transactions, of: (a) all, or any substantial portion, of the property of another Person, or any division, line of business or other business unit of another Person; or (b) at least a majority of the Voting Stock of another Person, in each case, whether or not involving a merger or consolidation with such other Person and whether for cash, property, services, assumption of Indebtedness, securities or otherwise.

" Adjusted LIBOR Rate " means, for any Interest Rate Determination Date with respect to an Interest Period for an Adjusted LIBOR Rate Loan, the rate per annum obtained by *dividing* : (a) (i) the rate per annum (rounded upward to the next whole multiple of one sixteenth of one percent (1/16 of 1.00%)) equal to the LIBOR as published on the applicable Reuters screen page (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time) for deposits (for delivery on the first (1 st ) day of such period) with a term equivalent to such period in Dollars, determined as of approximately 11:00 a.m. (London, England time) on such Interest Rate Determination Date, or (ii) in the event the rate referenced in the preceding clause (i ) does not appear on such page or service, or, if such page or service shall cease to be available, the rate per annum (rounded upward to the next whole multiple of one sixteenth of one percent (1/16 of 1.00%)) equal to the rate determined by the Administrative Agent to be the offered rate on such other page or other service which displays an average settlement rate for deposits (for delivery on the first (1 st ) day of such period) with a term equivalent to such period in Dollars, determined as of approximately 11:00 a.m. (London, England time) on such Interest Rate Determination Date; *by* (b) an amount equal to (i) one, *minus* (ii) the Applicable Reserve Requirement. Notwithstanding anything contained herein to the contrary, the Adjusted LIBOR Rate shall not be less than zero.

" Adjusted LIBOR Rate Loan " means a Loan bearing interest based on the Adjusted LIBOR Rate.

" Administrative Agent " has the meaning specified in the introductory paragraph hereto, together with its successors and assigns.

" Administrative Questionnaire " means an administrative questionnaire provided by the Lenders in a form supplied by the Administrative Agent.

" Adverse Proceeding " means any action, suit, proceeding (whether administrative, judicial or otherwise), governmental investigation or arbitration (whether or not purportedly on behalf of any Credit Party or any of its Subsidiaries) at law or in equity, or before or by any Governmental Authority, whether pending, threatened in writing against any Credit Party, any of its Subsidiaries or any material property of any Credit Party or any of its Subsidiaries.

" Affected Lender " has the meaning specified in Section 3.1(b ).

" Affected Loans " has the meaning specified in Section 3.1(b ).

" Affiliate " means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by, or is under common Control with, the Person specified.

" Agent " means, collectively, the Administrative Agent and the Collateral Agent.

" Aggregate Revolving Commitments " means the Revolving Commitments of all the Lenders. The aggregate principal amount of the Aggregate Revolving Commitments in effect on the Closing Date is Fifty Million Dollars ($50,000,000).

" Agreement " has the meaning specified in the introductory paragraph hereto.

" ALTA " means the American Land Title Association.

" Anti-Corruption Laws " means the Foreign Corrupt Practices Act, 15 U.S.C. §§ 78dd–1, *et seq* . , the UK Bribery Act of 2010 and all other laws, rules, and regulations of any jurisdiction applicable to any Credit Party or any of its Affiliates from time to time concerning or relating to bribery or corruption.

" Applicable Laws " means all applicable laws, including all applicable provisions of constitutions, statutes, rules, ordinances, regulations and orders of all Governmental Authorities and all orders, rulings, writs and decrees of all courts, tribunals and arbitrators.

" Applicable Margin " means, (a) from the Closing Date through the date that is two (2) Business Days immediately following the date a Compliance Certificate is delivered pursuant to Section 7.1(c ) for the Fiscal Quarter ending December 31, 2018, the applicable percentage per annum based upon Pricing Level 1 in the table set forth below, and (b) thereafter, the applicable percentage per annum determined by reference to the table set forth below, using the Consolidated Leverage Ratio as set forth in the Compliance Certificate most recently delivered to the Administrative Agent pursuant to Section 7.1(c ), with any increase or decrease in the Applicable Margin resulting from a change in the Consolidated Leverage Ratio becoming effective on the date two (2) Business Days immediately following the date on which such Compliance Certificate is delivered.

| Pricing Level | Consolidated Leverage Ratio | Adjusted LIBOR Rate Loans and Letter of Credit Fee | Base Rate Loans | Commitment Fee |
|---|---|---|---|---|
| 1 | ≤ 2.0:1.0 | 3.250% | 2.250% | 0.350% |
| 2 | > 2.0:1.0, *but* ≤ 3.0:1.0 | 3.500% | 2.500% | 0.375% |
| 3 | > 3.0:1.0 | 3.750% | 2.750% | 0.400% |

Notwithstanding the foregoing, (x) if, at any time, a Compliance Certificate is not delivered when due in accordance herewith, then Pricing Level 3 as set forth in the table above shall apply as of the first (1 st ) Business Day after the date on which such Compliance Certificate was required to have been delivered and shall remain

in effect until the date on which such Compliance Certificate is delivered , and (y) the determination of the Applicable Margin for any period shall be subject to the provisions of Section 2.7(e ) . The Applicable Margin with respect to any additional Term Loan established pursuant to Section 2.1(d)(iii ) shall be as provided in the joinder document(s) and/or commitment agreement(s) executed by the Borrower and the applicable Lenders in connection therewith.

" Applicable Reserve Requirement " means, at any time, for any LIBOR Loan, the maximum rate, expressed as a decimal, at which reserves (including any basic marginal, special, supplemental, emergency or other reserves) are required to be maintained with respect thereto against "Eurocurrency liabilities" (as such term is defined in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time) under regulations issued from time to time by the Board of Governors of the Federal Reserve System or other applicable banking regulator. Without limiting the effect of the foregoing, the Applicable Reserve Requirement shall reflect any other reserves required to be maintained by such member banks with respect to: (a) any category of liabilities which includes deposits by reference to which the applicable Adjusted LIBOR Rate or LIBOR Index Rate, or any other interest rate of a Loan, is to be determined; or (b) any category of extensions of credit or other assets which include Adjusted LIBOR Rate Loans or Base Rate Loans determined by reference to the LIBOR Index Rate. Adjusted LIBOR Rate Loans and Base Rate Loans determined by reference to the LIBOR Index Rate shall be deemed to constitute Eurocurrency liabilities, and as such, shall be deemed subject to reserve requirements without benefit of credit for pro ration, exception or offsets that may be available from time to time to the applicable Lender. The rate of interest on Adjusted LIBOR Rate Loans and Base Rate Loans determined by reference to the LIBOR Index Rate shall be adjusted automatically on and as of the effective date of any change in the Applicable Reserve Requirement.

" Approved Fund " means any Fund that is administered or managed by: (a) a Lender; (b) an Affiliate of a Lender; or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

" Arrangers " means Regions Capital Markets, a division of Regions Bank, and BMO Harris Bank N.A., in their respective capacities as joint lead arranger and joint bookrunner under this Agreement.

" Asset Sale " means a sale, lease, Sale and Leaseback Transaction, assignment, conveyance, exclusive license (as licensor), Securitization Transaction, transfer or other disposition to, or any exchange of property with, any Person, in one transaction or a series of transactions, of all or any part of any Credit Party or any of its Subsidiaries' businesses, assets or properties of any kind, whether real, personal, or mixed and whether tangible or intangible, whether now owned or hereafter acquired, created, leased or licensed, including the Equity Interests of any Subsidiary of a Credit Party, other than:

(a) dispositions of surplus, obsolete or worn out property or property no longer used or useful in the business of the Credit Parties and their Subsidiaries, whether now owned or hereafter acquired, in the ordinary course of business;

(b) dispositions of inventory sold, and Intellectual Property licensed, in the ordinary course of business;

(c) dispositions of accounts or payment intangibles (each as defined in the UCC) resulting from the compromise or settlement thereof in the ordinary course of business for less than the full amount thereof;

(d) dispositions of cash and Cash Equivalents in the ordinary course of business;

(e) licenses, sublicenses, leases or subleases granted to any third parties in arm's-length commercial transactions in the ordinary course of business that do not interfere in any material respect with the business of the Borrower or any of its Subsidiaries;

(f) dispositions of assets held by Regulated Subsidiaries;

(g) the termination or surrender of any real property lease of the Borrower or any of its Subsidiaries in the ordinary course of business so long as the loss of such leased location could not be reasonably expected to have an adverse and material effect on any business of the Borrower or any of its Subsidiaries;

(h) the abandonment or other disposition of Intellectual Property, whether now or hereafter owned or leased or acquired in connection with an Acquisition or other permitted Investment, that is, in the reasonable business judgment of the Borrower, no longer economically practicable or commercially desirable to maintain or used or useful in the business of the Borrower and the Subsidiaries;

(i) sales, transfers and other dispositions permitted by Section 8.9 (other than as permitted by clause (b ) of Section 8.9 );

(j) any issuance of Equity Interests of the Borrower;

(k) disposition of the Existing Mortgaged Property and the Rhode Island Real Estate;

(l) to the extent constituting a sale, transfer, lease or other disposition of an asset, any Restricted Payment made pursuant to Section 8.4 ; and

(m) sales, transfers or other dispositions of Investments to the extent permitted under Section 8.6 in joint ventures to the extent required by, or made pursuant to customary buy/sell arrangements between, the parties set forth in joint venture arrangements and similar binding agreements.

" Assignment Agreement " means an assignment agreement entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 11.5(b)(iii )) and accepted by the Administrative Agent, in substantially the form of Exhibit 11.5 or any other form (including electronic documentation generated by MarkitClear or other electronic platform) approved by the Administrative Agent.

" Attributable Principal Amount " means (a) in the case of Capital Leases, the amount of Capital Lease obligations determined in accordance with GAAP, (b) in the case of Synthetic Leases, an amount determined by capitalization of the remaining lease payments thereunder as if it were a Capital Lease determined in accordance with GAAP, (c) in the case of Securitization Transactions, the outstanding principal amount of such financing, after taking into account reserve amounts and making appropriate adjustments, determined by the Administrative Agent in its reasonable judgment, and (d) in the case of Sale and Leaseback Transactions, the present value (discounted in accordance with GAAP at the debt rate implied in the applicable lease) of the obligations of the lessee for rental payments during the term of such lease.

" Authorized Officer " means, as applied to any Person, any individual holding the position of chairman of the board (if an officer), chief executive officer, president or one of its vice presidents (or the equivalent thereof), chief financial officer or treasurer and, solely for purposes of making the certifications required under clauses (b)(ii ) and ( c ) of Sections 5.1 , any secretary or assistant secretary.

" Auto Borrow Agreement " has the meaning specified in Section 2.2(b)(vi ).

" Bail-In Action " means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

" Bail-In Legislation " means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

" Bankruptcy Code " means Title 11 of the United States Code entitled "Bankruptcy," as now and hereafter in effect, or any successor statute.

" Base Rate " means, for any day, a rate per annum equal to the greatest of : (a) the Prime Rate in effect on such day ; (b) the Federal Funds Rate in effect on such day *plus* one half of one percent (0.5%) ; and (c) the LIBOR Index Rate in effect on such day *plus* one percent (1.0%). Any change in the Base Rate due to a change in the Prime Rate, the Federal Funds Rate or the LIBOR Index Rate shall be effective on the effective day of such change in the Prime Rate, the Federal Funds Rate or the LIBOR Index Rate, respectively. Notwithstanding anything to the contrary herein, the Base Rate shall not be less than zero.

" Base Rate Loan " means a Loan bearing interest at a rate determined by reference to the Base Rate.

" Beneficial Ownership Certification " has the meaning specified in Section 5.1(k ).

" Benefit Plan " means any of: (a) an "employee benefit plan" (as defined in ERISA) that is subject to Title I of ERISA; (b) a "plan" as defined in, and subject to, Section 4975 of the Internal Revenue Code; or (c) any Person whose assets include (for purposes of ERISA Section 3(42), or otherwise for purposes of Title I of ERISA or Section 4975 of the Internal Revenue Code) the assets of any such "employee benefit plan" or "plan".

" Borrower " has the meaning specified in the introductory paragraph hereto.

" Borrowing " means (a) a borrowing consisting of simultaneous Loans of the same Type of Loan and, in the case of Adjusted LIBOR Rate Loans, having the same Interest Period, or (b) a borrowing of Swingline Loans, as appropriate.

" Business Day " means (a) any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of the State of New York or is a day on which banking institutions located in such state are authorized or required by law or other governmental action to close, and (b) with respect to all notices, determinations, fundings and payments in connection with the Adjusted LIBOR Rate and Adjusted LIBOR Rate Loans (and, in the case of determinations, the Index Rate and Base Rate Loans based on the LIBOR Index Rate), the term "Business Day" means any day which is a Business Day described in clause (a ) and which is also a day for trading by and between banks in Dollar deposits in the London interbank market.

" Capital Lease " means, as applied to any Person, any lease of any property (whether real, personal or mixed) by that Person as lessee that, in conformity with GAAP, is or should be accounted for as a capital lease on the balance sheet of that Person.

" Cash Collateralize " means to pledge and deposit with, or deliver to, the Administrative Agent, the Issuing Bank or the Swingline Lender, as applicable, as collateral for the Letter of Credit Obligations or Swingline Loans, as applicable, or obligations of Lenders to fund participations in respect thereof, cash or deposit account balances or, if the Administrative Agent, the Issuing Bank or Swingline Lender, as applicable, may agree in their sole discretion, other credit support, in each case, pursuant to documentation in form and substance reasonably satisfactory to the Administrative Agent, the Issuing Bank and/or the Swingline Lender, as applicable. "Cash Collateral" shall have a meaning correlative to the foregoing and shall include the proceeds of such cash collateral and other credit support.

" Cash Equivalents " means, as of any date of determination, any of the following:

(a) marketable securities (i) issued or directly and unconditionally guaranteed as to interest and principal by the United States government, or (ii) issued by any agency of the United States the obligations of which are backed by the full faith and credit of the United States, in each case, maturing within one (1) year after such date;

(b) marketable direct obligations issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof, in each case, maturing within one (1) year after such date and having, at the time of the acquisition thereof, a rating of at least A–1 from S&P or at least P–1 from Moody's;

(c) commercial paper maturing no more than one (1) year from the date of creation thereof and having, at the time of the acquisition thereof, a rating of at least A–1 from S&P or at least P– 1 from Moody's;

(d) certificates of deposit or bankers' acceptances maturing within one (1) year after such date and issued or accepted by any Lender or by any commercial bank organized under the laws of the United States, or of any state thereof or the District of Columbia, that:

(i) is at least "adequately capitalized" (as defined in the regulations of its primary federal banking regulator); and

(ii) has Tier 1 capital (as defined in such regulations) of not less than One-Hundred Million Dollars ($100,000,000); and

(e) shares of any money market mutual fund that:

(i) has substantially all of its assets invested continuously in the types of investments referred to in clauses (a ) and ( b ) above;

(ii) has net assets of not less than Five-Hundred Million Dollars ($500,000,000); and

(iii) has the highest rating obtainable from either S&P or Moody's.

" Change in Law " means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty, or in the administration, interpretation, implementation or application thereof, by any Governmental Authority, or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; *provided* that, notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith, (ii) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, and (iii) all requests, rules, guidelines or directives issued by a Governmental Authority in connection with a Lender's submission or re-submission of a capital plan under 12 C.F.R. § 225.8 or a Governmental Authority's assessment thereof shall, in each case, be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

" Change of Control " means an event or series of events by which:

(a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the "beneficial owner" (as defined in Rules 13d–3 and 13d–5 under the Exchange Act of 1934, except that a person or group shall be deemed to have "beneficial ownership" of all securities that such person or group has the right to acquire (such right, an " option right "), whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of twenty-five percent (25.0%) or more of the Equity Interests of the Borrower entitled to vote for members of the board of directors or equivalent governing body of the Borrower on a fully diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right); or

(b) during any period of twenty-four (24) consecutive months, a majority of the members of the board of directors or other equivalent governing body of the Borrower cease to be composed of individuals:

(i) who were members of that board or equivalent governing body on the first day of such period;

(ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i ) above constituting , at the time of such election or nomination , at least a majority of that board or equivalent govern ing body; or

(iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i ) and ( ii ) above constituting, at the time of such election or nomination, at least a majority of that board or equivalent governing body.

" Closing Date " means December 14, 2018.

" Collateral " means the collateral identified in, and at any time covered by, the Collateral Documents.

" Collateral Agent " has the meaning specified in the introductory paragraph hereto, together with its successors and assigns.

" Collateral Documents " means the Pledge and Security Agreement, the Mortgages, and all other instruments, documents and agreements delivered by any Credit Party pursuant to this Agreement or any of the other Credit Documents in order to grant to the Collateral Agent, for the benefit of the holders of the Obligations, a Lien on any real, personal or mixed property of any Credit Party as security for the Obligations.

" Commitment Fee " has the meaning specified in Section 2.10(a ).

" Commitments " means the Revolving Commitments and the Term Loan Commitments.

" Commodity Exchange Act " means the Commodity Exchange Act (7 U.S.C. § 1 *et seq* .).

" Competitor " shall mean any competitor of any Credit Party or any Subsidiary that is in the same or a similar line of business as any Credit Party or any Subsidiary.

" Compliance Certificate " means a Compliance Certificate substantially in the form of Exhibit 7.1(c ).

" Connection Income Taxes " means Other Connection Taxes that are imposed on, or measured by, net income (however denominated) or that are franchise Taxes or branch profits Taxes.

" Consolidated Capital Expenditures " means, for any period, for the Borrower and its Subsidiaries (other than Regulated Subsidiaries) on a consolidated basis, all capital expenditures, as determined in accordance with GAAP; *provided* , *however* , that Consolidated Capital Expenditures shall not include (a) expenditures made with proceeds of any Involuntary Disposition to the extent such expenditures are used to purchase property that is the same as or similar to the property subject to such Involuntary Disposition, or (b) Permitted Acquisitions.

" Consolidated EBITDA " means, for any period, for the Borrower and its Subsidiaries (other than Regulated Subsidiaries) on a consolidated basis, an amount equal to Consolidated Net Income (excluding Regulated Subsidiaries) for such period (a) *plus* the following, to the extent deducted in calculating such Consolidated Net Income (without duplication), (i) Consolidated Interest Charges for such period, (ii) the provision for federal, state, local and foreign income taxes payable by the Credit Parties and their Subsidiaries (other than Regulated Subsidiaries) for such period, (iii) depreciation and amortization expense for such period, (iv) non-cash stock compensation issued for such period, (v) non-cash losses (or *minus* non-cash gains) resulting from purchases (and resulting cancellations) of the Convertible Notes during such period, (vi) all out-of-pocket fees, costs and expenses payable or otherwise incurred in connection with this Agreement and any other Credit Document or with the redemption of the Senior Secured Notes, including that portion of the redemption price in excess of the par value of the Senior Secured Notes, prior to the date that is three (3) months after the Closing Date, and (vii) other non-cash charges and expenses reducing Consolidated Net Income, including any write-offs or write-downs (excluding any such non-cash charge to the extent such non-cash charge (A) represents an accrual of, or reserve for, cash charges in any future period or amortization of a prepaid cash expense that was

paid in a prior period not included in the calculation , or (B) is an expense or charge related to accounts receivable or other current asset ); and (b) *minus* all non-cash items increasing Consolidated Net Income (excluding any items which represent the reversal of any accrual of, or reserve for, anticipated cash charges that reduced Consolidated EBITDA in any prior period).

" Consolidated Fixed Charge Coverage Ratio " means, as of any date of determination, the ratio of: (a) (i) Consolidated EBITDA for the period of the four (4) Fiscal Quarters most recently ended, *minus* (ii) Consolidated Capital Expenditures for the period of the four (4) Fiscal Quarters most recently ended, *minus* (iii) Consolidated Taxes for the period of the four (4) Fiscal Quarters most recently ended; to (b) Consolidated Fixed Charges for the period of the four (4) Fiscal Quarters most recently ended.

" Consolidated Fixed Charges " means, for any period, for the Borrower and its Subsidiaries (other than Regulated Subsidiaries) on a consolidated basis, an amount equal to the *sum of* (a) Consolidated Interest Charges for such period, *plus* (b) Consolidated Scheduled Funded Debt Payments for such period, *plus* (c) the aggregate amount of Restricted Payments made by the Borrower pursuant to clause (c ) of Section 8.4 or, to the extent that such Restricted Payments do not constitute dividends paid on common stock, clause (g ) of Section 8.4 during such period, *plus* (d) the Convertible Note Fixed Charges for such period, all as determined in accordance with GAAP.

" Consolidated Funded Debt " means Funded Debt of the Borrower and its Subsidiaries (other than Regulated Subsidiaries) on a consolidated basis determined in accordance with GAAP; *provided* , *however* , notwithstanding anything to the contrary in the foregoing, "Consolidated Funded Debt" shall (x) include any intercompany Indebtedness owing by any Credit Party or Subsidiary (other than a Regulated Subsidiary) to any Regulated Subsidiary, and (y) exclude any Indebtedness owing by any Regulated Subsidiary to the Federal Home Loan Bank.

" Consolidated Interest Charges " means, for any period, for the Borrower and its Subsidiaries (other than Regulated Subsidiaries) on a consolidated basis, an amount equal to the *sum of* (a) all interest, premium payments, debt discount, fees, charges and related expenses in connection with borrowed money (including capitalized interest) or in connection with the deferred purchase price of assets, in each case, to the extent treated as interest in accordance with GAAP, *plus* (b) the portion of rent expense with respect to such period under Capital Leases that is treated as interest in accordance with GAAP, *plus* (c) the implied interest component of Synthetic Leases with respect to such period; *provided* , *however* , notwithstanding anything to the contrary in the foregoing, "Consolidated Interest Charges" shall (x) include all interest, premium, payments, debt discount, fees, charges and related expenses in connection with any intercompany Indebtedness owing by any Credit Party or Subsidiary (other than a Regulated Subsidiary) to any Regulated Subsidiary, and (y) exclude all interest, premium, payments, debt discount, fees, charges and related expenses in connection with any Indebtedness owing by any Regulated Subsidiary to the Federal Home Loan Bank.

" Consolidated Leverage Ratio " means, as of any date of determination, the ratio of: (a) Consolidated Funded Debt as of such date; to (b) Consolidated EBITDA for the period of the four (4) Fiscal Quarters most recently ended.

" Consolidated Net Income " means, for any period, for the Borrower and its Subsidiaries (including or excluding Regulated Subsidiaries of the Borrower, as so specified in the relevant instance of calculation) on a consolidated basis, the net income of the Borrower and such Subsidiaries (excluding unusual and infrequent gains) for that period, as determined in accordance with GAAP.

" Consolidated Net Worth " means, as of any date of determination, for the Borrower and its Subsidiaries (including, for the avoidance of doubt, Regulated Subsidiaries), (a) Shareholders' Equity of the Borrower and its Subsidiaries (including, for the avoidance of doubt, Regulated Subsidiaries) on that date, *less* (b) accumulated other comprehensive income.

" Consolidated Scheduled Funded Debt Payments " means , for any period , for the Borrower and its Subsidiaries (other than Regulated Subsidiaries) on a consolidated basis, the *sum of* all scheduled payments of principal on Consolidated Funded Debt, as dete rmined in accordance with GAAP. For purposes of this definition, " scheduled payments of principal " (a) shall be determined without giving effect to any reduction of such scheduled payments resulting from the application of any voluntary or mandatory prepayments made during the applicable period , (b) shall be deemed to include payments with respect to the Attributable Principal Amount in respect of Capital Leases, Securitization Transactions, Sale and Leaseback Transactions and Synthetic Leases , and (c) shall not include any voluntary prepayments or mandatory prepayments required pursuant to Section 2.11 .

" Consolidated Taxes " means, for any period, the aggregate amount of all taxes paid in cash, as determined in accordance with GAAP, by the Borrower and its Subsidiaries (other than Regulated Subsidiaries) on a consolidated basis; *provided* , *however* , that "Consolidated Taxes" shall include all taxes paid in cash by the Borrower and its Subsidiaries (other than Regulated Subsidiaries) on account of, on behalf of, or attributable to, any Regulated Subsidiary to the extent that such Regulated Subsidiary has not made Restricted Payments to the party paying such taxes pursuant to clause (a ) of Section 8.4 within two (2) months of such tax liabilities becoming due and payable, or actually being paid in cash, by the paying party.

" Contractual Obligation " means, as applied to any Person, any provision of any Security issued by that Person or of any indenture, mortgage, deed of trust, contract, undertaking, agreement or other instrument to which that Person is a party or by which it or any of its properties is bound or to which it or any of its properties is subject.

" Control " means the possession, directly or indirectly, of the power to direct, or cause the direction of the management or policies of, a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

" Conversion/Continuation Date " means the effective date of a continuation or conversion, as the case may be, as set forth in the applicable Conversion/Continuation Notice.

" Conversion/Continuation Notice " means a Conversion/Continuation Notice substantially in the form of Exhibit 2.8 .

" Convertible Notes " means those certain 5.875% Convertible Senior Notes Due 2037 issued by Heritage Insurance Holdings, Inc. pursuant to the terms of that certain Purchase Agreement dated as of August 10, 2017, in the aggregate principal amount of One-Hundred Thirty-Six Million and Seven Hundred and Fifty Thousand Dollars ($136,750,000).

" Convertible Note Fixed Charges " means, for any period, the aggregate amount of all cash repurchases or cash redemptions (including, for the avoidance of doubt, the cash component of any such repurchases or redemptions made partially in cash) of Convertible Notes made by any Credit Party after the date that is thirty (30) days after the Closing Date that are, together with all such cash repurchases or cash redemptions of Convertible Notes made by any Credit Party after such date but not during such period, in excess of $20,000,000. For purposes of clarity, repurchases or redemptions of Convertible Notes made with common Equity Interests of the Borrower shall not be included in any calculation of Convertible Note Fixed Charges.

" Credit Date " means the date of a Credit Extension.

" Credit Document " means any of this Agreement, each Note, each Issuer Document, the Collateral Documents, any Guarantor Joinder Agreement, the Fee Letter, any Auto Borrow Agreement, any document executed and delivered by the Borrower and/or any other Credit Party pursuant to which any Aggregate Revolving Commitments are increased pursuant to Section 2.1(d)(ii ) or an additional Term Loan is established pursuant to Section 2.1(d)(iii ), any documents or certificates executed by any Credit Party in favor of the Issuing

Bank relating to Letters of Credit, and, to the extent evidencing or securing the Obligations, all other documents, instruments or agreements executed and delivered by any Credit Party for the benefit of the Administrative Agent , the Issuing Bank or any Lender in connection herewith or therewith, and including , for the avoidance of doubt, any Guarantor Joinder Agreement (but specifically excluding any Secured Swap Agreements and Secured Treasury Management Agreements).

" Credit Extension " means the making of a Loan or the issuing or extending of a Letter of Credit.

" Credit Parties " means, collectively, the Borrower and each Guarantor.

" Debt Transaction " means, with respect to the Borrower or any of its Subsidiaries, any sale, issuance, placement, assumption or guaranty of Funded Debt, whether or not evidenced by a promissory note or other written evidence of Indebtedness, except for Funded Debt permitted to be incurred pursuant to Section 8.1 .

" Debtor Relief Laws " means the Bankruptcy Code, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect.

" Default " means a condition or event that, after notice or lapse of time or both, would constitute an Event of Default.

" Default Rate " means an interest rate equal to:

(a) with respect to Obligations other than Adjusted LIBOR Rate Loans (including Base Rate Loans referencing the LIBOR Index Rate) and the Letter of Credit Fee, the Base Rate *plus* the Applicable Margin, if any, applicable to such Loans *plus* two percent (2.0%) per annum;

(b) with respect to Adjusted LIBOR Rate Loans (including Base Rate Loans referencing the LIBOR Index Rate), the Adjusted LIBOR Rate *plus* the Applicable Margin, if any, applicable to Adjusted LIBOR Rate Loans *plus* two percent (2.0%) per annum; and

(c) with respect to the Letter of Credit Fee, the Applicable Margin *plus* two percent (2.0%) per annum.

" Defaulting Lender " means, subject to Section 2.16(b ), any Lender that:

(a) has failed to:

(i) fund all, or any portion, of its Loans within two (2) Business Days of the date such Loans were required to be funded hereunder, unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender's determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied; or

(ii) pay to the Administrative Agent, the Issuing Bank, the Swingline Lender or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in any Letters of Credit or Swingline Loans) within two (2) Business Days of the date when due;

(b) has notified the Borrower, the Administrative Agent, the Issuing Bank or the Swingline Lender in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect;

(c) has failed, within three (3) Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder ( *provided* that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c ) upon receipt of such written confirmation by the Administrative Agent and the Borrower); or

(d) has, or has a direct or indirect parent company that has:

(i) become the subject of a proceeding under any Debtor Relief Law;

(ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity; or

(iii) become the subject of a Bail-In Action;

*provided* that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender, or any direct or indirect parent company thereof, by a Governmental Authority, so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States, or from the enforcement of judgments or writs of attachment on its assets, or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a ) through ( d ) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.16(b )) upon delivery of written notice of such determination to the Borrower, the Issuing Bank, the Swingline Lender and each Lender.

" Disqualified Institution " shall mean (a) those Competitors and other Persons identified on a list provided by the Borrower to the Administrative Agent and made available to the Lenders on the Effective Date (the " Disqualified Institution List ") (as such Disqualified Institution List may be supplemented from time to time by the Borrower pursuant to clause (c) below), (b) any Person that is obviously (based solely to the extent such legal entity has the name of a Person set forth on the Disqualified Institution List in its legal name) an Affiliate of any Person set forth on the Disqualified Institution List, and (c) any other Competitor identified by legal name in writing to the Administrative Agent after the Effective Date (other than during the continuance of an Event of Default) (it being understood that the Borrower shall be required to provide a fully updated Disqualified Institution List to the Administrative Agent in order to supplement such list after the Effective Date), which designation shall become effective one (1) day after the date that such written designation to the Administrative Agent is made available to the Lenders on IntraLinks, Syndtrak, Debtdomain or a similar electronic transmission system, but which shall not apply retroactively to disqualify any persons that have previously acquired an assignment or participation interest in the Loans and/or Commitments. Notwithstanding the foregoing, a Person that would be a Disqualified Institution as a result of being an Affiliate of a Competitor pursuant to clause (b ) above shall not constitute a Disqualified Institution if such Person is a financial institution, bona fide debt fund or investment vehicle that is engaged in the business of making, purchasing, holding or otherwise investing in commercial loans, notes, bonds and similar extensions of credit or securities in the ordinary course of business to unaffiliated third parties and no Disqualified Institution makes investment decisions for such Person.

" Disqualified Institution List " shall have the meaning set forth in the definition of "Disqualified Institution".

" Dollars " and the sign " $ " mean the lawful money of the United States.

" Domestic Subsidiary " means any Subsidiary organized under the laws of the United States, any state thereof or the District of Columbia.

" Earn Out Obligations " means, with respect to an Acquisition, all obligations of the Borrower or any Subsidiary to make earn out or other contingency payments (including purchase price adjustments, non-competition and consulting agreements, or other indemnity obligations) pursuant to the documentation relating to such Acquisition. The amount of any Earn Out Obligations at the time of determination shall be the aggregate amount, if any, of such Earn Out Obligations that are required at such time under GAAP to be recognized as liabilities on the consolidated balance sheet of the Borrower.

" EEA Financial Institution " means:

(a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority;

(b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a ) of this definition; or

(c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a ) or ( b ) of this definition and is subject to consolidated supervision with its parent.

" EEA Member Country " means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

" EEA Resolution Authority " means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

" Eligible Assignee " means any Person that meets the requirements to be an assignee under Section 11.5(b ), subject to any consents and representations, if any as may be required therein.

" Environmental Claim " means any known investigation, written notice, notice of violation, written claim, action, suit, proceeding, written demand, abatement order or other written order or directive (conditional or otherwise), by any Person arising:

(a) pursuant to, or in connection with, any actual or alleged violation of any Environmental Law;

(b) in connection with any Hazardous Material or any actual or alleged Hazardous Materials Activity; or

(c) in connection with any actual or alleged damage, injury, threat or harm to human health, safety, natural resources or the environment.

" Environmental Permits " means all permits, licenses, orders, and authorizations which the Borrower or any of its Subsidiaries has obtained under Environmental Laws in connection with the Borrower's or any such Subsidiary's current Facilities or operations.

" Environmental Laws " means any and all current or future federal or state (or any subdivision of either of them), statutes, ordinances, orders, rules, regulations, judgments, Governmental Authorizations, or any other written requirements of Governmental Authorities relating to: (a) any Hazardous Materials Activity; (b) the generation, use, storage, transportation or disposal of Hazardous Materials; or (c) protection of human health and the environment from pollution, in any manner applicable to any Credit Party or any of its Subsidiaries or their respective Facilities.

" Environmental Liability " means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower, any other Credit Party or any of their respective Subsidiaries directly or indirectly resulting from or based upon : (a) violation of any Environmental Law ; (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials ; (c) exposure to any Hazardous Materials ; (d) the Release or threatened Release of any Hazardous Materials into the environment ; or (e) any contract, agreement or other consensual arrangement pursuant to which Borrower or any Subsidiary assumed liability with respect to any of the foregoing.

" Equity Interests " means, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

" Equity Transaction " means, with respect to the Borrower or any of its Subsidiaries, any issuance or sale by the Borrower or such Subsidiary of shares of its Equity Interests, other than an issuance:

(a) to the Borrower or any of its wholly-owned Subsidiaries;

(b) in connection with a conversion of debt securities to equity;

(c) in connection with the exercise by a present or former employee, officer or director under a stock incentive plan, stock option plan or other equity-based compensation plan or arrangement;

(d) which occurred prior to the Closing Date; or

(e) in connection with any Permitted Acquisition or any capital expenditures permitted under this Agreement.

" ERISA " means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

" ERISA Affiliate " means, as applied to any Person: (a) any corporation which is a member of a controlled group of corporations within the meaning of Section 414(b) of the Internal Revenue Code of which that Person is a member; (b) any trade or business (whether or not incorporated) which is a member of a group of trades or businesses under common control within the meaning of Section 414(c) of the Internal Revenue Code of which that Person is a member; and (c) any member of an affiliated service group within the meaning of Section 414(m) or (o) of the Internal Revenue Code of which that Person, any corporation described in clause (a ) above or any trade or business described in clause (b ) above is a member.

" ERISA Event " means:

(a) a "reportable event" within the meaning of Section 4043 of ERISA and the regulations issued thereunder with respect to any Pension Plan (excluding those for which notice to the PBGC has been waived by regulation);

(b) the failure to meet the minimum funding standard of Section 412 of the Internal Revenue Code with respect to any Pension Plan (whether or not waived in accordance with Section 412(c) of the Internal Revenue Code), the failure to make by its due date any minimum required contribution or any required installment under Section 430(j) of the Internal Revenue Code with respect to any Pension Plan or the failure to make by its due date any required contribution to a Multiemployer Plan;

(c) the provision by the administrator of any Pension Plan pursuant to Section 4041(a)(2) of ERISA of a notice of intent to terminate such plan in a distress termination described i n Section 4041(c) of ERISA;

(d) the withdrawal from any Pension Plan with two (2) or more contributing sponsors or the termination of any such Pension Plan, in either case resulting in material liability pursuant to Section 4063 or 4064 of ERISA;

(e) the institution by the PBGC of proceedings to terminate any Pension Plan, or the occurrence of any event or condition reasonably likely to constitute grounds under ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan;

(f) the imposition of liability pursuant to Section 4062(a) or 4069 of ERISA or by reason of the application of Section 4212(c) of ERISA, each case reasonably likely to result in material liability;

(g) the withdrawal of any Credit Party, any of its Subsidiaries or any of their respective ERISA Affiliates in a complete or partial withdrawal (within the meaning of Sections 4203 and 4205 of ERISA) from any Multiemployer Plan if such withdrawal is reasonably likely to result in material liability, or the receipt by any Credit Party, any of its Subsidiaries or any of their respective ERISA Affiliates of notice from any Multiemployer Plan that it is in insolvency pursuant to Section 4241 or 4245 of ERISA, or that it is in "critical" or "endangered" status within the meaning of Section 305 of ERISA, or that it intends to terminate or has terminated under Section 4041A or 4042 of ERISA, if such insolvency or termination is reasonably likely to result in material liability;

(h) the imposition of fines, penalties, taxes or related charges under Chapter 43 of the Internal Revenue Code, Section 502(c), (i) or (l), or Section 4071 of ERISA in respect of any Pension Plan if such fines, penalties, taxes or related charges are reasonably likely to result in material liability to any Credit Party or any of its Subsidiaries;

(i) receipt from the Internal Revenue Service of a final written determination of the failure of any Pension Plan intended to be qualified under Section 401(a) of the Internal Revenue Code to qualify under Section 401(a) of the Internal Revenue Code, or the failure of any trust forming part of any such plan to qualify for exemption from taxation under Section 501(a) of the Internal Revenue Code; or

(j) the imposition of a lien pursuant to Section 430(k) of the Internal Revenue Code or pursuant to Section 303(k) or 4068 of ERISA.

" EU Bail-In Legislation Schedule " means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

" Event of Default " means each of the conditions or events set forth in Section 9.1 .

" Exchange Act " means the Securities Exchange Act of 1934, as amended from time to time, and any successor statute.

" Excluded Property " means, with respect to the Borrower and each other Credit Party, including any Person that becomes a Credit Party after the Closing Date as contemplated by Section 7.14 :

(a) any disbursement deposit account the funds in which are used solely for the payment of salaries and wages, employee benefits, workers' compensation and similar expenses;

(b) any owned or leased real property which is located outside of the United States or any leased real property which is located in the United States;

(c) any owned real property (other than the Existing Mortgaged Property) which is located in the United States having a fair market value not in excess of $ 1, 5 00,000 (as reasonably determined by the Credit Parties on the date hereof or on the date of purchase of such real property, as applicable);

(d) the Existing Mortgaged Property and the Rhode Island Real Estate;

(e) any personal property (including, without limitation, motor vehicles) in respect of which perfection of a Lien is not:

(i) governed by the UCC; or

(ii) effected by appropriate evidence of the Lien being filed in either the United States Copyright Office or the United States Patent and Trademark Office;

(f) the Equity Interests of any direct Foreign Subsidiary or a Regulated Subsidiary of the Borrower or any other Credit Party, to the extent not required to be pledged to secure the Obligations pursuant to Section 7.12(a );

(g) any property which, subject to the terms of Section 8.3 , is subject to a Lien of the type described in Section 8.2(m ) pursuant to documents which prohibit the Borrower from granting any other Liens in such property;

(h) any property to the extent that the grant of a security interest therein would violate Applicable Laws, require a consent not obtained of any Governmental Authority, or constitute a breach of or default under, or result in the termination of or require a consent not obtained under, any contract, lease, license or other agreement evidencing or giving rise to such property, or result in the invalidation thereof or provide any party thereto with a right of termination (other than to the extent that any such term would be rendered ineffective pursuant to Section 9–406, 9–407, 9–408 or 9–409 of the applicable UCC or any other Applicable Law or principles of equity);

(i) any certificates, licenses and other authorizations issued by any Governmental Authority, to the extent that Applicable Laws prohibit the granting of a security interest therein; and

(j) proceeds and products of any and all of the foregoing excluded property described in clauses (a ) through ( h ) above only to the extent such proceeds and products would constitute property or assets of the type described in clauses (a ) through ( h ) above;

*provided* , *however* , that the security interest granted to the Collateral Agent under the Pledge and Security Agreement or any other Credit Document shall attach immediately to any asset of any Obligor (as defined in the Pledge and Security Agreement) at such time as such asset ceases to meet any of the criteria for "Excluded Property" described in any of the foregoing clauses (a ) through ( g ) above.

" Excluded Swap Obligation " means, with respect to any Guarantor, any Swap Obligation if, and to the extent that, all or a portion of the Guaranty of such Guarantor of, or the grant under a Credit Document by such Guarantor of a security interest to secure, such Swap Obligation (or any guarantee thereof) is or becomes illegal under the Commodity Exchange Act (or the application or official interpretation thereof) by virtue of such Guarantor's failure for any reason to constitute an "eligible contract participant" as defined in the Commodity Exchange Act (determined after giving effect to Section 4.8 hereof and any and all guarantees of such Guarantor's Swap Obligations by other Credit Parties) at the time the Guaranty of such Guarantor, or grant by such Guarantor of a security interest, becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a Master Agreement governing more than one Swap Agreement, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to Swap Agreements for which such Guaranty or security interest becomes illegal.

" Excluded Taxes " means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a p ayment to a Recipient:

(a) Taxes imposed on or measured by net income (however denominated), profits, or overall gross income or receipts, franchise or similar Taxes, and branch profits Taxes, in each case:

(i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof), or

(ii) that are Other Connection Taxes;

(b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to, or for the account of, such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which:

(i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrower under Section 2.17 ), or

(ii) such Lender changes its lending office,

except, in each case, to the extent that, pursuant to Section 3.3 , amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office;

(c) Taxes attributable to such Recipient's failure to comply with Section 3.3(f ); and

(d) any U.S. federal withholding Taxes imposed under FATCA.

" Existing Mortgaged Property " means that certain real property located at 2600 McCormick Drive, Suite 300, Clearwater, Florida 33759.

" Facility " means any real property including all buildings, fixtures or other improvements located on such real property now, hereafter or heretofore owned, leased, operated or used by the Borrower or any of its Subsidiaries or any of their respective predecessors.

" FATCA " means Sections 1471 through 1474 of the Internal Revenue Code as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Internal Revenue Code.

" Federal Funds Rate " means, for any day, the rate per annum (expressed, as a decimal, rounded upwards, if necessary, to the next higher one one-hundredth of one percent (1/100 of 1.00%)) equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; *provided* , (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate charged to Regions Bank or any other Lender selected by the Administrative Agent on such day on such transactions as determined by the Administrative Agent.

" Fee Letter " means that certain letter agreement dated December 12, 2018 among the Borrower, Regions Bank and Regions Capital Markets, a division of Regions Bank.

" Financial Officer Certification " means, with respect to the financial statements for which such certification is required, the certification of the chief financial officer of the Borrower that such financial statements fairly present, in all material respects, the financial condition of the Credit Parties and their Subsidiaries as of the dates indicated and the results of their operations and their cash flows for the periods indicated, subject to changes resulting from audit and normal year -end adjustments.

" Fiscal Quarter " means a fiscal quarter of any Fiscal Year.

" Fiscal Year " means the fiscal year of the Borrower and its Subsidiaries ending on December 31 of each calendar year.

" Flood Hazard Property " means any Real Estate Asset subject to a mortgage or deed of trust in favor of the Collateral Agent, for the benefit of the holders of the Obligations, and located in an area designated by the Federal Emergency Management Agency as having special flood or mud slide hazards.

" Foreign Lender " means a Lender that is not a U.S. Person.

" Foreign Subsidiary " means any Subsidiary that is not a Domestic Subsidiary.

" Fronting Exposure " means, at any time there is a Defaulting Lender:

(a) with respect to the Issuing Bank, such Defaulting Lender's Revolving Commitment Percentage of the outstanding Letter of Credit Obligations with respect to Letters of Credit issued by the Issuing Bank, other than Letter of Credit Obligations as to which such Defaulting Lender's participation obligation has been reallocated to other Lenders or Cash Collateralized in accordance with the terms hereof; and

(b) with respect to the Swingline Lender, such Defaulting Lender's Revolving Commitment Percentage of outstanding Swingline Loans made by the Swingline Lender, other than Swingline Loans as to which such Defaulting Lender's participation obligation has been reallocated to other Lenders.

" Fund " means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its activities.

" Funded Debt " means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with GAAP:

(a) all obligations for borrowed money, whether current or long-term (including the Obligations hereunder), all obligations evidenced by bonds, debentures, notes, loan agreements or other similar instruments;

(b) all obligations in respect of the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business and, in each case, not past due for more than sixty (60) days), including, without limitation, any Earn Out Obligations recognized as a liability on the balance sheet of the Credit Parties and their Subsidiaries in accordance with GAAP;

(c) all obligations under letters of credit, bankers' acceptances and similar instruments (including bank guaranties);

(d) the Attributable Principal Amount of Capital Leases, Synthetic Leases, Securitization Transactions and Sale and Leaseback Transactions;

(e) all preferred stock and comparable equity interests providing for mandatory redemption, sinking fund or other like payments;

(f) all Funded Debt of others secured by (or for which the holder of such Funded Debt has an existing right, contingent or otherwise, to be secured by) any Lien on, or payable out of the proceeds of production from, property owned or acquired by such Person, whether or not the obligations se cured thereby have been assumed;

(g) all Guarantees in respect of Funded Debt of another Person; and

(h) Funded Debt of any partnership or joint venture or other similar entity in which such Person is a general partner or joint venturer, and, as such, has personal liability for such obligations, but only to the extent there is recourse to such Person for payment thereof.

For purposes hereof, the amount of Funded Debt shall be determined: (x) based on the outstanding principal amount in the case of borrowed money indebtedness under clause (a ) and purchase money indebtedness and the deferred purchase obligations under clause (b ); (y) based on the maximum amount available to be drawn in the case of letter of credit obligations and the other obligations under clause (c ); and (z) based on the amount of Funded Debt that is the subject of the Guarantees in the case of Guarantees under clause (g ).

" Funding Notice " means a notice substantially in the form of Exhibit 2.1 .

" GAAP " means, subject to the limitations on the application thereof set forth in Section 1.2 , accounting principles generally accepted in the United States in effect as of the date of determination thereof.

" Governmental Acts " means any act or omission, whether rightful or wrongful, of any present or future *de jure* or *de facto* government or Governmental Authority.

" Governmental Authority " means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank and any group or body charged with setting financial accounting or regulatory capital rules or standards).

" Governmental Authorization " means any permit, license, authorization, plan, directive, consent order or consent decree of or from any Governmental Authority.

" Guarantee " means, as to any Person:

(a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the " primary obligor ") in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect:

(i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation,

(ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation,

(iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or

(iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part) ; or

(b) any Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien).

The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term "Guarantee" as a verb has a corresponding meaning.

" Guaranteed Obligations " has the meaning specified in Section 4.1 .

" Guarantor Joinder Agreement " means a guarantor joinder agreement substantially in the form of Exhibit 7.14 delivered by a Domestic Subsidiary of the Borrower pursuant to Section 7.14 .

" Guarantors " means (a) each existing and future direct and indirect Domestic Subsidiary of the Borrower that is not a Regulated Subsidiary, (b) each Person identified as a "Guarantor" on the signature pages hereto, (c) each other Person that joins as a Guarantor pursuant to Section 7.14 , (d) with respect to (i) Secured Swap Obligations, (ii) Secured Treasury Management Obligations, and (iii) Swap Obligations of a Specified Credit Party (determined before giving effect to Sections 4.1 and 4.8 ) under the Guaranty hereunder, the Borrower, and (e) their successors and permitted assigns.

" Guaranty " means the Guarantee made by the Guarantors in favor of the Administrative Agent, the Lenders and the other holders of the Obligations pursuant to Section 4 .

" Hazardous Materials " means any hazardous substances defined by the Comprehensive Environmental Response Compensation and Liability Act, 42 USCA 9601, *et seq* ., as amended (" CERCLA "), including any hazardous waste as defined under 40 C.F.R. Parts 260–270, gasoline or petroleum (including crude oil or any fraction thereof), asbestos or polychlorinated biphenyls.

" Hazardous Materials Activity " means any past, current, proposed or threatened activity, event or occurrence involving any Hazardous Materials, including the use, manufacture, possession, storage, holding, presence, existence, location, Release, threatened Release, discharge, placement, generation, transportation, processing, construction, treatment, abatement, removal, remediation, disposal, disposition or handling of any Hazardous Materials, and any corrective action or response action with respect to any of the foregoing.

" Highest Lawful Rate " means the maximum lawful interest rate, if any, that at any time or from time to time may be contracted for, charged, or received under Applicable Laws relating to any Lender which are currently in effect or, to the extent allowed under such Applicable Laws, which may hereafter be in effect and which allow a higher maximum non-usurious interest rate than Applicable Laws now allow.

" Indebtedness " means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with GAAP:

(a) all Funded Debt;

(b) net obligations under any Swap Agreement;

(c) all Guarantees in respect of Indebtedness of another Person; and

(d) all Indebtedness of the types referred to in clauses (a ) through ( c ) above of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or joint venturer, unless such Indebtedness is expressly made non-recourse to such Person.

For purposes hereof, the amount of Indebtedness shall be determined based on Swap Termination Value in the case of net obligations under any Swap Agreement under clause (b) .

" Indemnified Taxes " means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by, or on account of, any obligation of any Credit Party under any Credit Document, and (b) to the extent not otherwise described in clause (a ), Other Taxes.

" Indemnitee " has the meaning specified in Section 11.2(b ).

" Index Rate " means, for any Index Rate Determination Date with respect to any Base Rate Loans determined by reference to the Index Rate: (a) the rate per annum (rounded upward to the next whole multiple of one sixteenth of one percent (1/16 of 1.00%)) equal to the LIBOR, as published on the applicable Reuters screen page (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time), for deposits with a term equivalent to one (1) month in Dollars, determined as of approximately 11:00 a.m. (London, England time) two (2) Business Days prior to such Index Rate Determination Date; or (b) in the event the rate referenced in the preceding clause (a) does not appear on such page or service or if such page or service shall cease to be available, the rate per annum (rounded upward to the next whole multiple of one sixteenth of one percent (1/16 of 1.00%)) equal to the rate determined by the Administrative Agent to be the offered rate on such other page or other service which displays an average settlement rate for deposits with a term equivalent to one (1) month in Dollars, determined as of approximately 11:00 a.m. (London, England time) two (2) Business Days prior to such Index Rate Determination Date. Notwithstanding anything contained herein to the contrary, the Index Rate shall not be less than zero.

" Index Rate Determination Date " means the Closing Date and the first (1 st ) Business Day of each calendar month thereafter; *provided* , *however* , that, solely for purposes of the definition of "Base Rate", "Index Rate Determination Date" means the date of determination of the Base Rate.

" Insurance Regulatory Authority " means, with respect to any Regulated Subsidiary, the insurance department or similar Governmental Authority charged with regulating insurance companies or insurance holding companies, in its jurisdiction of domicile and, to the extent that it has regulatory authority over such Regulated Subsidiary, in each other jurisdiction in which such Regulated Subsidiary conducts business or is licensed to conduct business.

" Intellectual Property " means all trademarks, service marks, trade names, copyrights, patents, patent rights, franchises related to intellectual property, licenses related to intellectual property and other intellectual property rights.

" Interest Payment Date " means, with respect to (a) any Base Rate Loan and any Swingline Loan, (i) the last Business Day of each calendar quarter, commencing on the first such date to occur after the Closing Date, and (ii) the Revolving Commitment Termination Date, the Term Loan A Maturity Date and the final maturity date of any additional Term Loan; and (b) any Adjusted LIBOR Rate Loan, (i) the last day of each Interest Period applicable to such Loan; *provided* , in the case of each Interest Period of longer than three (3) months "Interest Payment Date" shall also include each date that is three (3) months, or an integral multiple thereof, after the commencement of such Interest Period, and (ii) the Revolving Commitment Termination Date, the Term Loan A Maturity Date and the final maturity date of any additional Term Loan.

" Interest Period " means, in connection with an Adjusted LIBOR Rate Loan, an interest period of one (1), two (2), three (3) or six (6) months or, upon the consent of all applicable Lenders, such other period that is

twelve (12) months or less (in each case, subject to availability), as selected by the Borrower in the applicable Funding Notice or Conversion/Continuation Notice, (a) initially, commencing on the Credit Date or Conversion/Continuation Date thereof, as the case may be , and (b) thereafter, commencing on the day on which the immediately preceding Interest Period expires; *provided* ,

(i) if an Interest Period would otherwise expire on a day that is not a Business Day, such Interest Period shall expire on the next succeeding Business Day unless no further Business Day occurs in such month, in which case, such Interest Period shall expire on the immediately preceding Business Day;

(ii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (iii ) of this definition, end on the last Business Day of a calendar month;

(iii) no Interest Period with respect to any Term Loan shall extend beyond any principal amortization payment date, except to the extent that the portion of such Loan comprised of Adjusted LIBOR Rate Loans that is expiring prior to the applicable principal amortization payment date *plus* the portion comprised of Adjusted LIBOR Rate Loans equals or exceeds the principal amortization payment then due; and

(iv) no Interest Period with respect to any portion of the Revolving Loans shall extend beyond the Revolving Commitment Termination Date.

" Interest Rate Determination Date " means, with respect to any Interest Period, the date that is two (2) Business Days prior to the first day of such Interest Period.

" Internal Revenue Code " means the Internal Revenue Code of 1986.

" Investment " means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of:

(a) the purchase or other acquisition of Equity Interests of another Person;

(b) a loan, advance or capital contribution to, Guarantee or assumption of debt of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person and any arrangement pursuant to which the investor Guarantees Indebtedness of such other Person; or

(c) an Acquisition.

For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

" Involuntary Disposition " means the receipt by the Borrower or any of its Subsidiaries of any cash insurance proceeds or condemnation awards payable by reason of theft, loss, physical destruction or damage, taking or similar event with respect to any of its Property.

" IRS " means the United States Internal Revenue Service.

" ISP " means, with respect to any Letter of Credit, the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice, Inc. (or such later version thereof as may be in effect at the time of issuance of such Letter of Credit).

" Issuance Notice " means an Issuance Notice substantially in the form of Exhibit 2.3 .

" Issuer Documents " means with respect to any Letter of Credit, the Letter of Credit Application, and any other document, agreement and instrument entered into by the Issuing Bank and the Borrower (or any Subsidiary) or in favor of the Issuing Bank and relating to such Letter of Credit.

" Issuing Bank " means Regions Bank in its capacity as issuer of Letters of Credit hereunder, together with its permitted successors and assigns in such capacity.

" Leasehold Property " means any leasehold interest of the Borrower or any other Credit Party as lessee under any lease of real property, or any property right pursuant to a lease, easement, servitude or similar agreement, however termed, in each case now held or hereafter acquired.

" Lender " means each financial institution with a Term Loan Commitment or a Revolving Commitment, together with its successors and permitted assigns. The initial Lenders are identified on the signature pages hereto and are set forth on Appendix A .

" Letter of Credit " means any standby letter of credit issued hereunder.

" Letter of Credit Application " means an application and agreement for the issuance or amendment of a Letter of Credit in the form from time to time in use by the Issuing Bank.

" Letter of Credit Borrowing " means any Credit Extension resulting from a drawing under any Letter of Credit that has not been reimbursed or refinanced as a Borrowing of Revolving Loans.

" Letter of Credit Fees " has the meaning specified in Section 2.10(b)(i ).

" Letter of Credit Obligations " means, at any time, the *sum of* : (a) the maximum amount available to be drawn under Letters of Credit then outstanding, assuming compliance with all requirements for drawings referenced therein; *plus* (b) the aggregate amount of all drawings under Letters of Credit that have not been reimbursed by the Borrower, including Letter of Credit Borrowings. For all purposes of this Agreement, (i) amounts available to be drawn under Letters of Credit will be calculated as provided in Section 1.3(i ), and (ii) if a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be "outstanding" in the amount so remaining available to be drawn.

" Letter of Credit Sublimit " means, as of any date of determination, the lesser of: (a) Five Million Dollars ($5,000,000); and (b) the aggregate unused amount of the Revolving Commitments then in effect.

" LIBOR " means the London Interbank Offered Rate.

" LIBOR Index Rate " means, for any Index Rate Determination Date, the rate per annum obtained by *dividing* : (a) the Index Rate; *by* (b) an amount equal to (i) one, *minus* (ii) the Applicable Reserve Requirement.

" LIBOR Index Rate Loan " means Loans bearing interest based on the LIBOR Index Rate.

" LIBOR Loan " means a Loan bearing interest at a rate determined by reference to the Adjusted LIBOR Rate or LIBOR Index Rate (including a Base Rate Loan referencing the LIBOR Index Rate), as applicable.

" LIBOR Replacement Rate " has the meaning specified in Section 3.1(h ).

" LIBOR Scheduled Unavailability Date " has the meaning specified in Section 3.1(h ).

" Lien " means : (a) any lien, mortgage, pledge, assignment, security interest, charge or encumbrance of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, and any lease or license in the nature thereof) and any option, trust or other preferential arrangement having the practical effect of any of the foregoing ; and (b) in the case of Securities, any purchase option, call or similar right of a third party with respect to such Securities.

" Liquidity " means the available and unencumbered (other than by Liens in favor of the Collateral Agent under the Credit Documents and Liens (including the right of set-off) in favor of a bank or other depository institution arising as a matter of law encumbering deposits) cash of the Credit Parties, *plus* the aggregate amount actually available to be drawn by the Borrower under the Aggregate Revolving Commitments.

" Loan " means any Revolving Loan, Swingline Loan or Term Loan, and the Base Rate Loans and Adjusted LIBOR Rate Loans comprising such Loans.

" Margin Stock " has the meaning specified in Regulation U of the Board of Governors of the Federal Reserve System as in effect from time to time.

" Master Agreement " has the meaning specified in the definition of "Swap Agreement".

" Material Adverse Effect " means any effect, event, condition, action, omission, change or state of facts that, individually or in the aggregate, has resulted in, or could reasonably be expected to result in, a material adverse effect with respect to:

(a) the business operations, properties, assets, or financial condition of the Credit Parties and their Subsidiaries taken as a whole;

(b) the ability of the Credit Parties, taken as a whole, to fully and timely perform the Obligations;

(c) the legality, validity, binding effect, or enforceability against a Credit Party of any Credit Document to which it is a party;

(d) the value of the whole or any material part of the Collateral, or the priority of Liens in the whole or any material part of the Collateral in favor of the Collateral Agent for the holders of the Obligations; or

(e) the rights, remedies and benefits available to, or conferred upon, the Administrative Agent and any Lender or any holder of Obligations under any Credit Document.

" Material Contract " means (a) any managing general agent or service company agreement entered into by any Credit Party or any Subsidiary of any Credit Party, and (b) any Contractual Obligation to which any Credit Party or any of their Subsidiaries, or any of their respective assets, are bound (other than those evidenced by the Credit Documents) pursuant to which (i) any Credit Party or any of its Subsidiaries are obligated to make payments in any twelve (12) month period of $5,000,000 or more, (ii) any Credit Party or any of its Subsidiaries expects to receive revenue in any twelve (12) month period of $5,000,000 or more or (iii) a default, breach or termination thereof could reasonably be expected to result in a Material Adverse Effect.

" Moody's " means Moody's Investor Services, Inc., together with its successors.

" Mortgages " means the mortgages, deeds of trust or deeds to secure debt that purport to grant to the Collateral Agent, for the benefit of the holders of the Obligations, a security interest in the real property interest (including with respect to any improvements and fixtures) of the Borrower or any other Credit Party in real property.

" Multiemployer Plan " means any "multiemployer plan" as defined in Section 3(37) of ERISA which is sponsored, maintained or contributed to by, or required to be contributed to by, any Credit Party or any of its

ERISA Affiliates , or with respect to which any Credit Party or any of its ERISA Affiliates previously sponsored, maintained or contributed to or was required to contributed to, and still has liability.

" NAIC " has the meaning set forth in the definition of "Qualifying Reinsurer".

" Net Cash Proceeds " means the aggregate proceeds paid in cash or Cash Equivalents received by the Borrower or any of its Subsidiaries in connection with any Asset Sale, Debt Transaction, Equity Transaction or Securitization Transaction, net of: (a) direct costs incurred or estimated costs for which reserves are maintained, in connection therewith (including legal, accounting and investment banking fees and expenses, sales commissions and underwriting discounts); (b) estimated taxes paid or payable (including sales, use or other transactional taxes and any net marginal increase in income taxes) as a result thereof; (c) the amount required to retire any Indebtedness secured by a Lien on the related property; and (d) reasonable reserves in accordance with GAAP for any liabilities or indemnification payments (fixed or contingent) attributable to seller's indemnities and representations and warranties to purchasers and other retained liabilities in respect of such Asset Sale undertaken by the Borrower or any Subsidiary in connection with such Asset Sale; *provided* that, to the extent that any such amount ceases to be so reserved (other than any reduction in such reserve to make a payment in respect of such liability or indemnification obligations), the amount thereof shall be deemed to be Net Cash Proceeds of such Asset Sale at such time. For purposes hereof, "Net Cash Proceeds" includes any cash or Cash Equivalents received upon the disposition of any non-cash consideration received by the Borrower or any of its Subsidiaries in any Asset Sale, Debt Transaction, Equity Transaction or Securitization Transaction.

" Non-Consenting Lender " has the meaning specified in Section 2.17 .

" Non-Defaulting Lender " means, at any time, each Lender that is not a Defaulting Lender at such time.

" Non-Qualifying Reinsurer " means any reinsurer that is not a Qualifying Reinsurer.

" Note " means a Revolving Loan Note, a Swingline Note or a Term Loan Note.

" Notice " means a Funding Notice, an Issuance Notice or a Conversion/Continuation Notice.

" Obligations " means all obligations, indebtedness and other liabilities of every nature of: (a) each Credit Party from time to time owed to the Agents (including any former Agents), the Issuing Bank, the Lenders (including former Lenders in their capacity as such) or any of them, the Qualifying Swap Providers and the Qualifying Treasury Management Banks, under any Credit Document, Secured Swap Agreement or Secured Treasury Management Agreement; and (b) each Subsidiary of any Credit Party from time to time owed to the Qualifying Swap Providers and the Qualifying Treasury Management Banks under any Secured Swap Agreement or Secured Treasury Management Agreement, in each case, together with all renewals, extensions, modifications or refinancings of any of the foregoing, whether for principal, interest (including fees and interest which, but for the filing of a petition in bankruptcy with respect to such Credit Party or such Subsidiary of a Credit Party, would have accrued on any Obligation, whether or not a claim is allowed against such Credit Party or such Subsidiary of a Credit Party for such interest or fees in the related bankruptcy proceeding), reimbursement of amounts drawn under Letters of Credit, payments for early termination of Swap Agreements, fees, expenses, indemnification or otherwise; *provided* , *however* , that the "Obligations" of a Credit Party shall exclude any Excluded Swap Obligations with respect to such Credit Party. Notwithstanding anything to the contrary contained herein or under any of the other Credit Documents, the obligations of any Credit Party or any Subsidiary of a Credit Party under any Secured Swap Agreement or any Secured Treasury Management Agreement shall be secured and guaranteed pursuant to the Credit Documents only to the extent that, and for so long as, the Obligations (other than any Obligations with respect to Secured Swap Agreements and Secured Treasury Management Agreements) are so secured and guaranteed.

" OFAC " means the U.S. Department of the Treasury's Office of Foreign Assets Control.

" Organizational Documents " means : (a) with respect to any corporation, its certificate or articles of incorporation or organization, as amended, and its by -laws, as amended ; (b) with respect to any limited partnership, its certificate of limited partnership, as amended, and its partnership agreement, as amended ; (c) with respect to any general partnership, its partnership agreement, as amended ; and (d) with respect to any limited liability company, its articles of organization, certificate of formation or comparable documents, as amended, and its o perating agreement, as amended. In the event any term or condition of this Agreement or any other Credit Document requires any Organizational Document to be certified by a secretary of state or similar governmental official, the reference to any such " Organizational Document " shall only be to a document of a type customarily certified by such governmental official.

" Other Connection Taxes " means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Credit Document, or sold or assigned an interest in any Loan or Credit Document).

" Other Taxes " means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Credit Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 2.17 ).

" Outstanding Amount " means:

(a) with respect to Revolving Loans and Swingline Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any Borrowings and prepayments or repayments of Revolving Loans and Swingline Loans, as the case may be, occurring on such date;

(b) with respect to any Letter of Credit Obligations on any date, the aggregate outstanding amount of such Letter of Credit Obligations on such date after giving effect to any Credit Extension of a Letter of Credit occurring on such date and any other changes in the amount of the Letter of Credit Obligations as of such date, including as a result of any reimbursements by the Borrower of any drawing under any Letter of Credit; and

(c) with respect to any Term Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any prepayments or repayments of such Term Loan on such date.

" Participant " has the meaning specified in Section 11.5(d ).

" Participant Register " has the meaning specified in Section 11.5(d ).

" Patriot Act " has the meaning specified in Section 6.15(f ).

" PBGC " means the Pension Benefit Guaranty Corporation or any successor thereto.

" Pension Plan " means any "employee pension benefit plan" as defined in Section 3(2) of ERISA other than a Multiemployer Plan, which is subject to Section 412 of the Internal Revenue Code or Section 302 of ERISA and which is sponsored, maintained or contributed to by, or required to be contributed to by, any Credit Party or with respect to which any Credit Party previously sponsored, maintained or contributed to, or was required to contribute to, and still has liability.

" Permitted Acquisition " means any portfolio investment made by any Regulated Subsidiary in the ordinary course of business, as well as any Acquisition that satisfies the following conditions:

(a) the Property acquired (or the Property of the Person acquired) in such Acquisition is a business , or is used or useful in a business , permitted under Section 8.14 ;

(b) in the case of an Acquisition of the Equity Interests of a Person:

(i) the board of directors (or other comparable governing body) of such other Person shall have approved the Acquisition; and

(ii) such Person shall be organized and existing under the laws of any state of the United States or the District of Columbia;

(c) immediately after giving effect to such Acquisition, there shall be at least $25,000,000 of Liquidity;

(d) the aggregate cash and non-cash consideration (including any assumption of Indebtedness, deferred purchase price and any Earn Out Obligations and any equity consideration) paid by the Credit Parties and their Subsidiaries for all such Acquisitions occurring during the term of this Agreement shall not exceed $150,000,000; and

(e)

(i) no Default or Event of Default shall exist and be continuing immediately before or immediately after giving effect thereto;

(ii) the representations and warranties made each of the Credit Parties in each Credit Document shall be true and correct in all material respects as if made on the date of such Acquisition (after giving effect thereto) except to the extent such representations and warranties expressly relate to an earlier date;

(iii) after giving effect thereto on a Pro Forma Basis, the Borrower shall be in compliance with the financial covenants set forth in clauses (a ), ( b ) and ( c ) of Section 8.8 ; and

(iv) at least five (5) Business Days prior to the consummation of such Acquisition, an Authorized Officer of the Borrower shall provide a compliance certificate, in form and detail reasonably satisfactory to the Administrative Agent, affirming compliance with each of the items set forth in clauses (a ) through ( c ) hereof.

" Permitted Debt Forgiveness " means the forgiveness or cancellation by a Credit Party of any loan made by such Credit Party to a Regulated Subsidiary.

" Permitted Liens " means each of the Liens permitted pursuant to Section 8.2 .

" Permitted Refinancing " means any extension, renewal or replacement of any existing Indebtedness so long as any such renewal, refinancing and extension of such Indebtedness:

(a) has market terms and conditions;

(b) has an average life to maturity that is greater than that of the Indebtedness being extended, renewed or refinanced;

(c) does not include an obligor that was not an obligor with respect to the Indebtedness being extended, renewed or refinanced (unless such obligor is also a Guarantor with respect to Obligations);

(d) remains subordinated, if the Indebtedness being refinanced or extended was subordinated to the prior payment of the Obligations;

(e) does not exceed in a principal amount the Indebtedness being renewed, extended or refinanced *plus* reasonable fees and expenses, premiums and penalties incurred in connection therewith; and

(f) is not incurred, created or assumed, if any Default or Event of Default then exists or would arise therefrom.

" Person " means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

" Platform " has the meaning specified in Section 11.1(d ).

" Pledge and Security Agreement " means the security and pledge agreement dated as of the Closing Date given by the Credit Parties, as pledgors, to the Collateral Agent for the benefit of the holders of the Obligations (as defined therein), and any other pledge agreements or security agreements that may be given by any Person pursuant to the terms hereof, in each case, as the same may be amended and modified from time to time.

" Prime Rate " means the per annum rate which the Administrative Agent publicly announces from time to time to be its prime lending rate, as in effect from time to time. The Administrative Agent's prime lending rate is a reference rate and does not necessarily represent the lowest or best rate charged to customers.

" Principal Office " means, for the Administrative Agent, the Swingline Lender and the Issuing Bank, such Person's "Principal Office" as set forth on Appendix B , or such other office as it may from time to time designate in writing to the Borrower and each Lender.

" Pro Forma Basis " means, for purposes of calculating the financial covenants set forth in Section 8.8 (including for purposes of determining the Applicable Margin), that any Asset Sale, Involuntary Disposition, Acquisition, increase in the Aggregate Revolving Commitments or establishment of an additional Term Loan pursuant to Section 2.1(d)(iii ), or Restricted Payment shall be deemed to have occurred as of the first (1 st ) day of the most recent four (4) Fiscal Quarter period preceding the date of such transaction for which the Borrower was required to deliver financial statements pursuant to clauses (a ) or ( b ) of Section 7.1 . In connection with the foregoing:

(a)

(i) with respect to any Asset Sale or Involuntary Disposition, income statement and cash flow statement items (whether positive or negative) attributable to the property disposed of shall be excluded to the extent relating to any period occurring prior to the date of such transaction; and

(ii) with respect to any Acquisition, income statement items attributable to the Person or property acquired shall be included to the extent relating to any period applicable in such calculations to the extent:

(A) such items are not otherwise included in such income statement items for the Borrower and its Subsidiaries in accordance with GAAP or in accordance with any defined terms set forth in Section 1.1 ; and

(B) such items are supported by financial statements or other information satisfactory to the Administrative Agent; and

(b) any Indebtedness incurred or assumed by the Borrower or any Subsidiary (including the Person or property acquired) in connection with such transaction:

(i) shall be deemed to have been incurred as of the first (1st) day of the applicable period ; and

(ii) if such Indebtedness has a floating or formula rate, shall have an implied rate of interest for the applicable period for purposes of this definition determined by utilizing the rate that is, or would be, in effect with respect to such Indebtedness as of the relevant date of determination.

" Probable Maximum Loss " has the meaning specified and as used by each applicable Insurance Regulatory Authority.

" Property " means an interest of any kind in any property or asset, whether real, personal or mixed, and whether tangible or intangible.

" PTE " means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

" Qualified ECP Guarantor " means, in respect of any Swap Obligation, each Credit Party that, at the time the Guaranty (or grant of security interest, as applicable) becomes or would become effective with respect to such Swap Obligation, has total assets exceeding Ten Million Dollars ($10,000,000) or such other Credit Party as constitutes an "eligible contract participant" under the Commodity Exchange Act and which may cause another Person to qualify as an "eligible contract participant" with respect to such Swap Obligation at such time by entering into a keepwell under Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

" Qualifying Reinsurer " means (a) the Florida Hurricane Catastrophe Fund, (b) any Person (which may include Affiliates of any Credit Party) providing reinsurance services with at least an "A–" financial strength rating from A.M. Best Company (or any successor in interest thereto), or (c) any Person (which may include Affiliates of any Credit Party) providing reinsurance services that has collateralized its obligations to the Regulated Subsidiaries at a level consistent with the National Association of Insurance Commissioners' (" NAIC ") requirements for credit on Schedule F of the statutory financial statements of the Regulated Subsidiaries.

" Qualifying Swap Provider " means: (a) any of Regions Bank and its Affiliates; and (b) any Person that (i) at the time it enters into a Swap Agreement with any Credit Party or any Subsidiary of a Credit Party, is a Lender or an Affiliate of a Lender, or (ii) in the case of a Swap Agreement with any Credit Party or any Subsidiary of a Credit Party in effect on or prior to the Closing Date, is, as of the Closing Date or within thirty (30) days thereafter, a Lender or an Affiliate of a Lender, and, in each such case under this clause (b ), shall have provided a Secured Party Designation Notice to the Administrative Agent. For purposes hereof, the term "Lender" shall be deemed to include the Administrative Agent.

" Qualifying Treasury Management Bank " means: (a) any of Regions Bank and its Affiliates; and (b) any Person that (A) at the time it enters into a Treasury Management Agreement, is a Lender or an Affiliate of a Lender, or (B) in the case of a Treasury Management Agreement in effect on or prior to the Closing Date, is, as of the Closing Date or within thirty (30) days thereafter, a Lender or an Affiliate of a Lender, and, in each such case under this clause (b ), shall have provided a Secured Party Designation Notice to the Administrative Agent. For purposes hereof, the term "Lender" shall be deemed to include the Administrative Agent.

" Real Estate Asset " means, at any time of determination, any interest (fee, leasehold or otherwise) then owned by the Borrower or any of its Subsidiaries in any real property.

" Recipient " means (a) the Administrative Agent, (b) any Lender and (c) the Issuing Bank, as applicable.

" Refunded Swingline Loans " has the meaning specified in Section 2.2(b)(iii ).

" Register " has the meaning specified in Section 11.5(c ).

" Regulated Subsidiary " means each of: (a) Pawtucket Insurance Company, Narragansett Bay Insurance Company, Heritage Property & Casualty Insurance Company, Zephyr Insurance Company, Inc. and Osprey Re Ltd.; and (b) any other Domestic Subsidiary of a Credit Party (i) that is a risk retention entity subject to regulation by a Governmental Authority and/or required by Applicable Laws to utilize statutory accounting principles and submit them to a Governmental Authority, and (ii) with respect to which the Administrative Agent has received prior written notification that such Domestic Subsidiary constitutes a Regulated Subsidiary.

" Reimbursement Date " has the meaning specified in Section 2.3(d ).

" Related Parties " means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person's Affiliates.

" Release " means any release, spill, emission, leaking, pumping, pouring, injection, escaping, deposit, disposal, discharge, dispersal, dumping, leaching or migration of any Hazardous Material into the indoor or outdoor environment (including the abandonment or disposal of any barrels, containers or other closed receptacles containing any Hazardous Material), including the movement of any Hazardous Material through the air, soil, surface water or groundwater.

" Removal Effective Date " has the meaning specified in Section 10.6(b ).

" Required Lenders " means, as of any date of determination, at least two (2) Lenders (unless there is only one (1) Lender, in which case, such Lender) having Total Credit Exposure representing more than fifty percent (50.0%) of the Total Credit Exposures of all Lenders; *provided* that the Total Credit Exposure of any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

" Resignation Effective Date " has the meaning specified in Section 10.6(a ).

" Restricted Payment " means any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interests of the Borrower or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Equity Interests, or on account of any return of capital to the Borrower's stockholders, partners or members (or the equivalent Person thereof), or any setting apart of funds or property for any of the foregoing.

" Revolving Commitment " means the commitment of a Lender to make, or otherwise fund, any Revolving Loan, and to acquire participations in Letters of Credit and Swingline Loans hereunder, and " Revolving Commitments " means such commitments of all Lenders in the aggregate. The amount of each Lender's Revolving Commitment, if any, is set forth on Appendix A , or in the applicable Assignment Agreement or other agreement pursuant to which it becomes a party hereto, subject to any increase, adjustment or reduction pursuant to the terms and conditions hereof. The aggregate amount of the Revolving Commitments as of the Closing Date is Fifty Million Dollars ($50,000,000).

" Revolving Commitment Percentage " means, for each Lender, a fraction (expressed as a percentage carried to the ninth decimal place), the *numerator* of which is such Lender's Revolving Commitment and the *denominator* of which is the Aggregate Revolving Commitments. The initial Revolving Commitment Percentages are set forth on Appendix A .

" Revolving Commitment Period " means the period from, and including, the Closing Date to the earlier of: (a) (i) in the case of Revolving Loans and Swingline Loans, the Revolving Commitment Termination Date, or (ii) in the case of the Letters of Credit, the expiration date thereof; or (b) in each case, the date on which the Revolving Commitments shall have been terminated as provided herein.

" Revolving Commitment Termination Date " means the earliest to occur of : (a) December 14 , 2023 ; (b) the date the Revolving Commitments are permanently reduced to zero pursuant to Section 2.11(b ); and (c) the date of the termination of the Revolving Commitments pursuant to Section 9.2 .

" Revolving Credit Exposure " means, as to any Lender at any time, the aggregate principal amount at such time of its outstanding Revolving Loans and such Lender's participation in Letter of Credit Obligations and Swingline Loans at such time.

" Revolving Loan " means a Loan made by a Lender to the Borrower pursuant to Section 2.1(a ).

" Revolving Loan Note " means a promissory note in the form of Exhibit 2.5–1 , as it may be amended, supplemented or otherwise modified from time to time.

" Revolving Obligations " means the Revolving Loans, the Letter of Credit Obligations and the Swingline Loans.

" Rhode Island Real Estate " means those certain parcels of real estate comprising 25 Maple Street, Pawtucket, Rhode Island 02862.

" S&P " means Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., together with its successors.

" Sale and Leaseback Transaction " means, with respect to the Borrower or any Subsidiary, any arrangement, directly or indirectly, with any Person (other than a Credit Party) whereby the Borrower or such Subsidiary shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property that it intends to use for substantially the same purpose or purposes as the property being sold or transferred.

" Sanctioned Country " means: (a) a country, territory or a government of a country or territory; (b) an agency of the government of a country or territory; or (c) an organization directly or indirectly owned or controlled by a country, territory or its government, that is subject to Sanctions.

" Sanctioned Person " means: (a) a Person named on the list of "Specially Designated Nationals" or any other Sanctions related list of designated Persons maintained by OFAC, the U.S. Department of State, the United Nations Security Council, the European Union or any European Union member state; (b) any Person operating, organized or resident in a Sanctioned Country; or (c) any Person owned or controlled by any such Person or Persons described in the foregoing clauses (a ) or ( b ).

" Sanctions " means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by: (a) the U.S. government, including those administered by OFAC or the U.S. Department of State; (b) the United Nations Security Council; (c) the European Union; (d) any European Union member state; (e) Her Majesty's Treasury of the United Kingdom; or (f) any other relevant sanctions authority.

" SEC " means the United States Securities and Exchange Commission.

" Secured Party Designation Notice " means a notice in the form of Exhibit 1.1 (or other writing in form and substance satisfactory to the Administrative Agent) from a Qualifying Swap Provider or a Qualifying Treasury Management Bank to the Administrative Agent that it holds Obligations entitled to share in the guaranties and collateral interests provided herein in respect of a Secured Swap Agreement or Secured Treasury Management Agreement, as appropriate.

" Secured Swap Agreement " means any Swap Agreement between any Credit Party or any Subsidiary of a Credit Party, on the one hand, and a Qualifying Swap Provider, on the other hand. For the avoidance of doubt,

a holder of Obligations in respect of a Secured Swap Agreement shall be subject to the provisions of Sections 9.3 and 10.10 .

" Secured Swap Obligations " means all obligations owing to a Qualifying Swap Provider in connection with any Secured Swap Agreement including any and all cancellations, buy backs, reversals, terminations or assignments of any Secured Swap Agreement, any and all renewals, extensions and modifications of any Secured Swap Agreement and any and all substitutions for any Secured Swap Agreement, including all fees, costs, expenses and indemnities, whether primary, secondary, direct, fixed or otherwise (including any monetary obligations incurred during the pendency of any bankruptcy or insolvency proceedings, regardless of whether allowed or allowable in such bankruptcy or insolvency proceedings), in each case, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising.

" Secured Treasury Management Agreement " means any Treasury Management Agreement between any Credit Party or any Subsidiary of a Credit Party, on the one hand, and a Qualifying Treasury Management Bank, on the other hand. For the avoidance of doubt, a holder of Obligations in respect of a Secured Treasury Management Agreement shall be subject to the provisions of Sections 9.3 and 10.10 .

" Secured Treasury Management Obligations " means all obligations owing to a Qualifying Treasury Management Bank under a Secured Treasury Management Agreement, including all fees, costs, expenses and indemnities, whether primary, secondary, direct, fixed or otherwise (including any monetary obligations incurred during the pendency of any bankruptcy or insolvency proceedings, regardless of whether allowed or allowable in such bankruptcy or insolvency proceedings), in each case, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising.

" Securities " means any stock, shares, partnership interests, limited liability company interests, voting trust certificates, certificates of interest or participation in any profit-sharing agreement or arrangement ( *e . g .*, stock appreciation rights), options, warrants, bonds, debentures, notes, or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as "securities" or any certificates of interest, shares or participations in temporary or interim certificates for the purchase or acquisition of, or any right to subscribe to, purchase or acquire, any of the foregoing.

" Securitization Transaction " means any financing or factoring or similar transaction (or series of such transactions) entered by the Borrower or any of its Subsidiaries pursuant to which the Borrower or such Subsidiary may sell, convey or otherwise transfer, or grant a security interest in, accounts, payments, receivables, rights to future lease payments or residuals or similar rights to payment (the " Securitization Receivables ") to a special purpose subsidiary or affiliate (a " Securitization Subsidiary ") or any other Person.

" Senior Secured Notes " means those certain Senior Secured Notes Due 2023 issued by Heritage Insurance Holdings, Inc. pursuant to the terms of that certain Indenture dated as of December 15, 2016, in the aggregate principal amount of Seventy-Nine Million Five-Hundred Thousand Dollars ($79,500,000).

" Shareholders' Equity " means, as of any date of determination, consolidated shareholders' equity of the Borrower and its Subsidiaries (including, for the avoidance of doubt, Regulated Subsidiaries) as of such date, determined in accordance with GAAP.

" Solvent " or " Solvency " means, with respect to any Person as of a particular date, that on such date:

(a) such Person is able to pay its debts and other liabilities, contingent obligations and other commitments as they mature in the ordinary course of business;

(b) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature in their ordinary course;

(c) such Person is not engaged in a business or a transaction, and is not about to engage in a business or a transaction, for which such Person's property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Person is engaged or is to engage;

(d) the fair value of the property of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person; and

(e) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured.

In computing the amount of contingent liabilities at any time, it is intended that such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

" Specified Credit Party " means, any Credit Party that is, at the time on which the Guaranty (or grant of security interest, as applicable) becomes effective with respect to a Swap Obligation, a corporation, partnership, proprietorship, organization, trust or other entity that would not be an "eligible contract participant" under the Commodity Exchange Act at such time but for the effect of Section 4.8 .

" Subsidiary " means, with respect to any Person, any corporation, partnership, limited liability company, association, joint venture or other business entity of which more than fifty percent (50.0%) of the Voting Stock is at the time owned or controlled, directly or indirectly, by that Person, or the accounts of which would be consolidated with those of such Person in its consolidated financial statements in accordance with GAAP, if such statements were prepared as of such date, or one or more of the other Subsidiaries of that Person or a combination thereof; *provided* , in determining the percentage of ownership interests of any Person controlled by another Person, no ownership interest in the nature of a "qualifying share" of the former Person shall be deemed to be outstanding. Unless otherwise provided, "Subsidiary" shall refer to a Subsidiary of the Borrower or other Credit Party, as the context requires.

" Swap Agreement " means:

(a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, currency swap transactions, cross-currency rate swap transactions, currency options, cap transactions, floor transactions, collar transactions, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options or warrants to enter into any of the foregoing), whether or not any such transaction is governed by, or otherwise subject to, any master agreement or any netting agreement; and

(b) any and all transactions or arrangements of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement (or similar documentation) published from time to time by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such agreement or documentation, together with any related schedules, a " Master Agreement "), including any such obligations or liabilities under any Master Agreement.

" Swap Obligation " means, with respect to any Guarantor, any obligation to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of Section 1a(47) of the Commodity Exchange Act.

" Swap Termination Value " means, in respect of any one or more Swap Agreements, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Agreements:

(a) for any date on or after the date such Swap Agreements have been closed out and termination value(s) determined in accordance therewith, su ch termination value(s); and

(b) for any date prior to the date referenced in clause (a ), the amount(s) determined as the mark-to-market value(s) for such Swap Agreements, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Agreements (which may include a Lender or any Affiliate of a Lender).

" Swingline Lender " means Regions Bank in its capacity as Swingline Lender hereunder, together with its permitted successors and assigns in such capacity.

" Swingline Loan " means a Loan made by the Swingline Lender to the Borrower pursuant to Section 2.2 .

" Swingline Note " means a promissory note in the form of Exhibit 2.5–2 , as it may be amended, supplemented or otherwise modified from time to time.

" Swingline Rate " means the Base Rate *plus* the Applicable Margin applicable to Base Rate Loans (or, with respect to any Swingline Loan advanced pursuant to an Auto Borrow Agreement, such other rate as separately agreed in writing between the Borrower and the Swingline Lender).

" Swingline Sublimit " means, at any time of determination, the lesser of: (a) Ten Million Dollars ($10,000,000); and (b) the aggregate unused amount of Revolving Commitments then in effect.

" Synthetic Lease " means a lease transaction under which the parties intend that: (a) the lease will be treated as an "operating lease" by the lessee pursuant to Statement of Financial Accounting Standards No. 13, as amended; and (b) the lessee will be entitled to various tax and other benefits ordinarily available to owners (as opposed to lessees) of like property.

" Taxes " means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

" Term Loan " means the Term Loan A and any additional term loan established under Section 2.1(d)(iii ).

" Term Loan A " has the meaning specified in Section 2.1(b ).

" Term Loan A Commitment " means, for each Lender, the commitment of such Lender to make a portion of the Term Loan A hereunder. The Term Loan A Commitment of each Lender as of the Closing Date is set forth on Appendix A . The aggregate principal amount of the Term Loan A Commitments of all of the Lenders as in effect on the Closing Date is Seventy Five Million Dollars ($75,000,000).

" Term Loan A Commitment Percentage " means, for each Lender, a fraction (expressed as a percentage carried to the ninth decimal place): (a) the *numerator* of which is the outstanding principal amount of such Lender's portion of the Term Loan A; and (b) the *denominator* of which is the aggregate outstanding principal amount of the Term Loan A. The initial Term Loan A Commitment Percentage of each Lender as of the Closing Date is set forth on Appendix A .

" Term Loan A Maturity Date " means December 14, 2023.

" Term Loan A Note " means a promissory note in the form of Exhibit 2.5–3 , as it may be amended, supplemented or otherwise modified from time to time.

" Term Loan Commitment Percentage " means, for each Lender providing a portion of a Term Loan, a fraction (expressed as a percentage carried to the ninth decimal place) : (a) the numerator of which is the outstanding principal amount of such Lender's portion of such Term Loan ; and (b) the denominator of which is the aggregate outstanding principal amount of such Term Loan.

" Term Loan Commitments " means: (a) for each Lender, such Lender's Term Loan A Commitment; and (b) for each Lender providing an additional Term Loan pursuant to Section 2.1(d)(iii ), the commitment of such Lender to make such additional Term Loan as set forth in the document(s) executed by the Borrower establishing such additional Term Loan.

" Term Loan Notes " means the Term Loan A Note and any other promissory notes given to evidence Term Loans hereunder.

" Title Policy " has the meaning specified in Section 7.11(b)(iii ).

" Total Credit Exposure " means, as to any Lender at any time: (a) the Outstanding Amount of the Term Loans of such Lender at such time; *plus* (b) the unused Revolving Commitments and Revolving Credit Exposure of such Lender at such time.

" Total Revolving Outstandings " means the aggregate Outstanding Amount of all Revolving Loans, all Swingline Loans and all Letter of Credit Obligations.

" Treasury Management Agreement " means any agreement governing the provision of treasury or cash management services, including deposit accounts, funds transfer, automated clearinghouse, commercial credit cards, purchasing cards, cardless e-payable services, debit cards, stored value cards, zero balance accounts, returned check concentration, controlled disbursement, lockbox, account reconciliation and reporting and trade finance services.

" Type of Loan " means a Base Rate Loan or a LIBOR Loan.

" UCC " means the Uniform Commercial Code (or any similar or equivalent legislation) as in effect in the State of New York (or any other applicable jurisdiction, as the context may require).

" United States " or " U.S. " means the United States of America.

" U.S. Person " means any Person that is a "United States person" as defined in Section 7701(a)(30) of the Internal Revenue Code.

" U.S. Tax Compliance Certificate " has the meaning specified in Section 3.3(f ).

" Voting Stock " means, with respect to any Person, Equity Interests issued by such Person the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right so to vote has been suspended by the happening of such a contingency.

" Withholding Agent " means any Credit Party and the Administrative Agent.

" Write-Down and Conversion Powers " means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

Section 1.2 Accounting Terms .

(a) Except as otherwise expressly provided herein, all accounting terms not otherwise defined herein shall have the meanings assigned t o them in conformity with GAAP. Financial statements and other information required to be delivered by the Borrower to the Lenders pursuant to clauses (a ) , ( b ) , ( c ) and ( d ) of Section 7.1 shall be prepared in accordance with GAAP as in effect at the time of such preparation (and delivered together with the reconciliation statements provided for in Section 7.1(g ) , if applicable). If at any time any change in GAAP or in the consistent application thereof would affect the computation of any financial covenant or requirement set forth in any Credit Document, and either the Borrower or the Required Lenders shall object in writing to determining compliance based on such change, then the Lenders and Borrower shall negotiate in good faith to amend such financial covenant, requirement or applicable defined terms to preserve the original intent thereof in light of such change to GAAP, *provided* that, until so amended such computations shall continue to be made on a basis consistent with the most recent financial statements delivered pursuant to clauses (a ) , ( b ) , ( c ) and ( d ) of Section 7.1 as to which no such objection has been made.

(b) Notwithstanding the above, the parties hereto acknowledge and agree that all calculations of the financial covenants in Section 8.8 , including for purposes of determining the Applicable Margin, shall be made on a Pro Forma Basis.

(c) Notwithstanding the above, for purposes of determining compliance with any covenant (including the computation of any financial covenant) contained herein, Indebtedness of the Credit Parties and their Subsidiaries shall be deemed to be carried at 100% of the outstanding principal amount thereof, and the effects of FASB ASC 825 and FASB ASC 470–20 on financial liabilities shall be disregarded.

Section 1.3 Rules of Interpretation .

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “, without limitation,”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise:

(i) any definition of or reference to any agreement, instrument or other document shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Credit Document);

(ii) any reference herein to any Person shall be construed to include such Person’s successors and assigns;

(iii) the words “hereto”, “herein,” “hereof” and “hereunder,” and words of similar import when used in any Credit Document, shall be construed to refer to such Credit Document in its entirety and not to any particular provision hereof or thereof;

(iv) all references in a Credit Document to Sections, Exhibits, Appendices and Schedules shall be construed to refer to Sections of, and Exhibits, Appendices and Schedules to, the Credit Document in which such references appear;

(v) any reference to any law shall include all statutory and regulatory rules, regulations, orders and provisions consolidating, amending, replacing or interpreting such law and any references to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time and

(vi) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) The terms lease and license shall include sub-lease and sub-license.

(c) All terms not specifically defined herein or by GAAP, which terms are defined in the UCC, shall have the meanings assigned to them in the UCC of the relevant jurisdiction, with the term "instrument" being that defined under Article 9 of the UCC of such jurisdiction.

(d) Unless otherwise expressly indicated, in the computation of periods of time from a specified date to a later specified date, the word "from" means "from, and including,", the words "to" and "until" each mean "to, but excluding,", and the word "through" means "to, and including,".

(e) To the extent that any of the representations and warranties contained in Section 6 under this Agreement, or in any of the other Credit Documents, is qualified by "Material Adverse Effect", the qualifier "in all material respects" contained in Section 5.2(c ) and the qualifier "in any material respect" contained in Section 9.1(d ) shall not apply.

(f) Whenever the phrase "to the knowledge of" or words of similar import relating to the knowledge of a Person are used herein or in any other Credit Document, such phrase shall mean and refer to the actual knowledge of the Authorized Officers of such Person.

(g) This Agreement and the other Credit Documents are the result of negotiation among, and have been reviewed by counsel to, among others, the Administrative Agent and the Credit Parties, and are the product of discussions and negotiations among all parties. Accordingly, this Agreement and the other Credit Documents are not intended to be construed against the Administrative Agent or any of the Lenders merely on account of the Administrative Agent's or any Lender's involvement in the preparation of such documents.

(h) Unless otherwise indicated, all references to a specific time shall be construed to Eastern Standard Time or Eastern Daylight Savings Time, as the case may be. Unless otherwise expressly provided herein, all references to dollar amounts and " *$* " shall mean Dollars.

(i) Unless otherwise specified herein, the amount of a Letter of Credit at any time shall be deemed to be the stated amount of such Letter of Credit in effect at such time (after giving effect to any permanent reduction in the stated amount of such Letter of Credit pursuant to the terms of such Letter of Credit); *provided* , *however* , that with respect to any Letter of Credit that, by its terms or the terms of any Issuer Document related thereto, provides for one or more automatic increases in the stated amount thereof, the amount of such Letter of Credit shall be deemed to be the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated amount is in effect at such time.

(j) Any reference herein or in any other Credit Document to a merger, transfer, consolidation, amalgamation, assignment, sale or disposition, or similar term, shall be deemed to apply to a division of or by a limited liability company, or an allocation of assets to a series of a limited liability company (or the unwinding of such a division or allocation), as if it were a merger, transfer, consolidation, amalgamation, assignment, sale or disposition, or similar term, as applicable, to, of or with a separate Person. Any division of a limited liability company shall constitute a separate Person hereunder and under each other Credit Document (and each division of any limited liability company that is a Subsidiary, joint venture or any other like term shall also constitute such a Person or entity).

Section 1.4 Rules of Interpretation with Respect to Regulated Subsidiaries . Should an applicable Governmental Authority notify any Credit Party of a potentially actionable issue or concern related to control of a Regulated Subsidiary or determine that all or any of the Lenders, the Administrative Agent and/or the Collateral Agent is or are acting as control persons, as defined or used under the Florida Insurance Code, the Hawaii Insurance Code, Title 27 of the Rhode Island General Laws, or other Applicable Laws, of any Regulated Subsidiary due to one or more provisions of this Agreement, the parties agree to promptly further negotiate in good faith to modify this Agreement such that none of the Lenders, the Administrative Agent and the Collateral

Agent are considered by such Governmental Authority to be control persons of the Regulated Subsidiaries and to effect the original intent of the parties as closely as possible in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

## Article 2

## LOANS AND LETTERS OF CREDIT

Section 2.1 Revolving Loans and Term Loan A .

(a) Revolving Loans . During the Revolving Commitment Period, subject to the terms and conditions hereof, each Lender severally agrees to make revolving loans (each such loan, a " Revolving Loan ") to the Borrower in an aggregate amount up to but not exceeding such Lender's Revolving Commitment; *provided* , that after giving effect to the making of any Revolving Loan: (i) the Total Revolving Outstandings shall not exceed the Aggregate Revolving Commitments; and (ii) the Revolving Credit Exposure of any Lender shall not exceed such Lender's Revolving Commitment. Amounts borrowed pursuant to this Section 2.1(a ) may be repaid and reborrowed without premium or penalty (subject to Section 3.1(c )) during the Revolving Commitment Period. The Revolving Loans may consist of Base Rate Loans, Adjusted LIBOR Rate Loans, or a combination thereof, as the Borrower may request. Each Lender's Revolving Commitment shall expire on the Revolving Commitment Termination Date and all Revolving Loans and all other amounts owed hereunder with respect to the Revolving Loans and the Revolving Commitments shall be paid in full no later than such date.

(b) Term Loan A . Subject to the terms and conditions set forth herein, the Lenders will make advances of their respective Term Loan A Commitment Percentages of a term loan (the " *Term Loan A* ") in an amount not to exceed the Term Loan A Commitment, which Term Loan A will be disbursed to the Borrower in Dollars in a single advance on the Closing Date. The Term Loan A may consist of Base Rate Loans, Adjusted LIBOR Rate Loans, or a combination thereof, as the Borrower may request. Amounts repaid on the Term Loan A may not be reborrowed.

(c) Mechanics for Revolving Loans and Term Loans .

(i) All Term Loans and, except pursuant to Section 2.2(b)(iii ), all Revolving Loans shall be made in an aggregate minimum amount of Five Hundred Thousand Dollars ($500,000) and integral multiples of One Hundred Thousand Dollars ($100,000) in excess thereof.

(ii) Whenever the Borrower desires that the Lenders make a Term Loan or a Revolving Loan, the Borrower shall deliver to the Administrative Agent a fully executed Funding Notice no later than: (x) 1:00 p.m. at least three (3) Business Days in advance of the proposed Credit Date in the case of an Adjusted LIBOR Rate Loan; and (y) 1:00 p.m. at least one (1) Business Day in advance of the proposed Credit Date in the case of a Loan that is a Base Rate Loan. Except as otherwise provided herein, any Funding Notice for any Loans that are Adjusted LIBOR Rate Loans shall be irrevocable on and after the related Interest Rate Determination Date, and the Borrower shall be bound to make a borrowing in accordance therewith.

(iii) Notice of receipt of each Funding Notice in respect of each Revolving Loan or Term Loan, together with the amount of each Lender's Revolving Commitment Percentage or Term Loan Commitment Percentage thereof, respectively, if any, together with the applicable interest rate, shall be provided by the Administrative Agent to each applicable Lender by telefacsimile with reasonable promptness, but ( *provided* the Administrative Agent shall have received such notice by 1:00 p.m.) not later than 4:00 p.m. on the same day as the Administrative Agent's receipt of such notice from the Borrower.

(iv) Each Lender shall make its Revolving Commitment Percentage of the requested Revolving Loan or its Term Loan Commitment Percentage of the requested Term Loan available to the Administrative Agent not later than 11:00 a.m. on the applicable Credit Date by wire transfer of same day funds in Dollars, at the Administr ative Agent's Principal Office. Except as provided herein, upon satisfaction or waiver of the applicable conditions precedent specified herein, the Administrative Agent shall make the proceeds of such Credit Extension available to the Borrower on the applicable Credit Date by causing an amount of same day funds in Dollars equal to the proceeds of all Loans received by the Administrative Agent in connection with the Credit Extension from the Lenders to be credited to the account of the Borrower at the Administrative Agent's Principal Office or such other account as may be designated in writing to the Administrative Agent by the Borrower.

(d) Increase in Revolving Commitments and Establishment of Additional Term Loans . The Borrower may, at any time and from time to time, upon prior written notice by the Borrower to the Administrative Agent, increase the Revolving Commitments (but not the Letter of Credit Sublimit or the Swingline Sublimit) and/or establish one or more additional Term Loans, subject to the following:

(i) the *sum of* (A) the aggregate principal amount of any increases in the Revolving Commitments pursuant to this Section 2.1(d ), *plus* (B) the aggregate principal amount of any additional Term Loans pursuant to this Section 2.1(d ), shall not exceed Fifty Million Dollars ($50,000,000), *provided* that, notwithstanding the foregoing, the aggregate principal amount of any increases in the Revolving Commitments pursuant to this Section 2.1(d ) shall not exceed Twenty Five Million Dollars ($25,000,000); and

(ii) The Borrower may, at any time and from time to time, upon prior written notice by the Borrower to the Administrative Agent, increase the Aggregate Revolving Commitments (but not the Letter of Credit Sublimit or the Swingline Sublimit) with additional Revolving Commitments from any existing Lender with a Revolving Commitment or with new Revolving Commitments from any other Person that would qualify as Eligible Assignees selected by the Borrower and reasonably acceptable to the Administrative Agent and the Issuing Bank; *provided* that:

(A) any such increase shall be in a minimum principal amount of Ten Million Dollars ($10,000,000) and in integral multiples of Five Million Dollars ($5,000,000) in excess thereof;

(B) no Default or Event of Default shall exist before, and immediately after giving effect to, such increase;

(C)

(I) no existing Lender shall be under any obligation to increase its Revolving Commitment, and any such decision whether to increase its Revolving Commitment shall be in such Lender's sole and absolute discretion; and

(II) the Arrangers shall have no obligation to arrange any such increase without their written agreement to undertake such arrangement;

(D)

(I) any new Lender providing a Revolving Commitment in connection with any increase in Aggregate Revolving Commitments shall join this Agreement by executing such joinder documents reasonably required by the Administrative Agent; and

(II) any existing Lender electing to increase its Revolving Commitment shall have executed a commitment agreement reasonably satisfactory to the Administrative Agent;

(E) the Borrower shall have paid any applicable upfront and/or arrangement fees with respect to such increase;

(F) any such increase in the Revolving Commitments shall be subject to receipt by the Administrative Agent of a certificate of the Borrower, dated as of the date of such increase, signed by an Authorized Officer of the Borrower (x) certifying and attaching the resolutions adopted by the Borrower and each Guarantor approving or consenting to such increase, and (y) certifying that, before and after giving effect to such increase:

(I) the Borrower shall be in compliance, on a Pro Forma Basis after giving effect to the incurrence of any such increase in the Revolving Commitments (assuming, for purposes of such calculation, that the Revolving Commitments as increased are fully drawn), with the financial covenants set forth in clauses (a ) and ( b ) of Section 8.8 , recomputed as of the last day of the most recently ended Fiscal Quarter of the Borrower for which financial statements have been delivered pursuant to Section 7.1 ; and

(II) the representations and warranties contained in Section 6 and the other Credit Documents are true and correct in all material respects on, and as of, the date of such increase, except to the extent that such representations and warranties specifically refer to an earlier date, in which case, they are true and correct in all material respects as of such earlier date, and except that, for purposes of this Section 2.1(d ), the representations and warranties contained in Section 6.7 shall be deemed to refer to the most recent statements furnished pursuant to clauses (a ) and ( b ) of Section 7.1 ;

(III) no Default or Event of Default exists;

(G) any increase in the Revolving Commitments shall have the same terms as the Revolving Commitments in existence prior to giving effect to such increase; and

(H) the Administrative Agent shall have received all documents (including secretary's certificates, resolutions of the board of directors of the Credit Parties and customary opinions of counsel to the Credit Parties, if required to be provided by the Administrative Agent or the Lenders providing such increased Revolving Commitments) relating to the corporate or other necessary authority for such increase in the Aggregate Revolving Commitments and any other matters relevant thereto, all in form and substance reasonably satisfactory to the Administrative Agent.

The Borrower shall prepay any Revolving Loans owing under this Agreement on the date of any such increase in the Revolving Commitments to the extent necessary to keep the outstanding Revolving Loans ratable with any revised Revolving Commitments arising from any non-ratable increase in the Revolving Commitments under this Section.

(iii) The Borrower may, at any time and from time to time, upon prior written notice to the Administrative Agent, request the establishment of one or more additional Term Loans from existing Lenders or other Persons that would qualify as Eligible Assignees selected by the Borrower (other than the Borrower or any Affiliate or Subsidiary of the Borrower) and reasonably acceptable to the Administrative Agent; *provided* that:

(A) any such increase shall be in a minimum aggregate principal amount of Ten Million Dollars ($ 10 ,000,000) and integral multiples of Five Million Dollars ($ 5 ,000,000) in excess thereof;

(B) no Default or Event of Default shall exist before, and immediately after giving effect to, such additional Term Loan;

(C)

(I) no existing Lender shall be under any obligation to provide a portion of any additional Term Loan, and any such decision whether to provide a portion of any additional Term Loan shall be in such Lender's sole and absolute discretion; and

(II) the Arrangers shall have no obligation to Arrange any such increase without their written agreement to undertake such arrangement;

(D)

(I) any new Lender shall join this Agreement by executing such joinder documents reasonably required by the Administrative Agent; and/or

(II) any existing Lender electing to provide a Term Loan Commitment with respect to such additional Term Loan shall have executed a commitment or joinder agreement reasonably satisfactory to the Administrative Agent;

(E) the Borrower shall have paid any applicable upfront and/or arrangement fees with respect to such increase;

(F) the establishment of any additional Term Loan shall be subject to receipt by the Administrative Agent of a certificate of the Borrower dated as of the date of the establishment of such additional Term Loan signed by an Authorized Officer of the Borrower (x) certifying and attaching the resolutions adopted by the Borrower and each Guarantor approving or consenting to such increase, and (y) certifying that, before and after giving effect to such increase:

(I) the representations and warranties contained in Section 6 and the other Credit Documents are true and correct in all material respects on, and as of, the date of such additional Term Loan, except to the extent that such representations and warranties specifically refer to an earlier date, in which case, they are true and correct in all material respects as of such earlier date, and, except that for purposes of this Section 2.1(d ), the representations and warranties contained in Section 6.7 shall be deemed to refer to the most recent statements furnished pursuant to clauses (a ) and ( b ) of Section 7.1 ;

(II) no Default or Event of Default exists; and

(III) the Borrower shall be in compliance, on a Pro Forma Basis after giving effect to the incurrence of any additional Term Loan (and after giving effect, on a Pro Forma Basis, to any Permitted Acquisition consummated simultaneously therewith and assuming, for purposes of such calculation, that the Revolving Commitments are fully drawn), with the financial covenants set forth in clauses (a ) and ( b ) of Section 7.8 , recomputed as of the last day of the most recently ended Fiscal Quarter of the Borrower for which financial statements have been delivered pursuant to Section 7.1 ;

(G) t he Applicable Margin of any additional Term Loan shall be as set forth in the commitment or joinder agreement executed by the Borrower in connection therewith; *provided* that the all-in yield (including interest rate margins, any interest rate floors, original issue discount and upfront fees (based on the lesser of a four-year average life to maturity or the remaining life to maturity), but excluding arrangement, structuring and underwriting fees paid or payable to the Arranger s or their Affiliates) applicable to such additional Term Loan shall not be more than fifty hundredths of a percent (0.50%) higher than the corresponding all-in yield (determined on the same basis) applicable to the Term Loan A or any then outstanding additional Term Loan (it being understood that interest on the Term Loan A and any existing additional Term Loan may be increased to the extent necessary to satisfy this requirement) ;

(H) the maturity date for any additional Term Loan shall be as set forth in the commitment or joinder agreement executed by the Borrower in connection therewith, *provided* that such date shall not be earlier than the Term Loan A Maturity Date or the maturity date of any other then existing Term Loan;

(I) the scheduled principal amortization payments under any additional Term Loan shall be as set forth in the commitment or joinder agreement executed by the Borrower in connection therewith, *provided* that the weighted average life to maturity (as calculated by the Administrative Agent) of any such additional Term Loan shall not be less than the weighted life to maturity of the Term Loan A and any other then existing Term Loan; and

(J) the Administrative Agent shall have received all documents (including secretary's certificates, resolutions of the board of directors of the Credit Parties and customary opinions of counsel to the Credit Parties, if required to be provided by the Administrative Agent or the Lenders providing such additional Term Loan) relating to the corporate or other necessary authority for such additional Term Loan and any other matters relevant thereto, all in form and substance reasonably satisfactory to the Administrative Agent.

Section 2.2 Swingline Loans .

(a) Swingline Loans Commitments . During the Revolving Commitment Period, subject to the terms and conditions hereof, the Swingline Lender may, in its sole discretion, make Swingline Loans to the Borrower in the aggregate amount up to but not exceeding the Swingline Sublimit; *provided* that, after giving effect to the making of any Swingline Loan, in no event shall (i) the Total Revolving Outstandings exceed the Aggregate Revolving Commitments, and (ii) the Revolving Credit Exposure of any Lender exceed such Lender's Revolving Commitment. Amounts borrowed pursuant to this Section 2.2 may be repaid and reborrowed during the Revolving Commitment Period. The Swingline Lender's Revolving Commitment shall expire on the Revolving Commitment Termination Date and all Swingline Loans and all other amounts owed hereunder with respect to the Swingline Loans and the Revolving Commitments shall be paid in full no later than such date.

(b) Borrowing Mechanics for Swingline Loans .

(i) Subject to clause (vi ) below, whenever the Borrower desires that the Swingline Lender make a Swingline Loan, the Borrower shall deliver to the Administrative Agent a Funding Notice no later than 11:00 a.m. on the proposed Credit Date.

(ii) The Swingline Lender shall make the amount of its Swingline Loan available to the Administrative Agent not later than 3:00 p.m. on the applicable Credit Date by wire transfer of same day funds in Dollars, at the Administrative Agent's Principal Office. Except as provided herein, upon satisfaction or waiver of the conditions precedent specified herein, the Administrative Agent shall make the proceeds of such Swingline Loans available to the Borrower on the applicable Credit Date by causing an amount of same day funds in Dollars equal to the proceeds of all such Swingline Loans

received by the Administrative Agent from the Swingline Lender to be credited to the account of the Borrower at the Administrative Agent's Principal Office, or to such other account as may be designated in writing to the Administrative Agent by the Borrower.

(iii) With respect to any Swingline Loans which have not been voluntarily prepaid by the Borrower pursuant to Section 2.11 , the Swingline Lender may at any time in its sole and absolute discretion, deliver to the Administrative Agent (with a copy to the Borrower), no later than 11:00 a.m. on the day of the proposed Credit Date, a notice (which shall be deemed to be a Funding Notice given by the Borrower) requesting that each Lender holding a Revolving Commitment make Revolving Loans that are Base Rate Loans to the Borrower on such Credit Date in an amount equal to the amount of such Swingline Loans (the " Refunded Swingline Loans ") outstanding on the date such notice is given which the Swingline Lender requests Lenders to prepay. Anything contained in this Agreement to the contrary notwithstanding: (1) the proceeds of such Revolving Loans made by the Lenders other than the Swingline Lender shall be immediately delivered by the Administrative Agent to the Swingline Lender (and not to the Borrower) and applied to repay a corresponding portion of the Refunded Swingline Loans; and (2) on the day such Revolving Loans are made, the Swingline Lender's Revolving Commitment Percentage of the Refunded Swingline Loans shall be deemed to be paid with the proceeds of a Revolving Loan made by the Swingline Lender to the Borrower, and such portion of the Swingline Loans deemed to be so paid shall no longer be outstanding as Swingline Loans and shall no longer be due under the Swingline Note of the Swingline Lender but shall instead constitute part of the Swingline Lender's outstanding Revolving Loans to the Borrower and shall be due under the Revolving Loan Note issued by the Borrower to the Swingline Lender. The Borrower hereby authorizes the Administrative Agent and the Swingline Lender to charge the Borrower's accounts with the Administrative Agent and the Swingline Lender (up to the amount available in each such account) in order to immediately pay the Swingline Lender the amount of the Refunded Swingline Loans to the extent the proceeds of such Revolving Loans made by the Lenders, including the Revolving Loans deemed to be made by the Swingline Lender, are insufficient to repay in full the Refunded Swingline Loans. If any portion of any such amount paid (or deemed to be paid) to the Swingline Lender should be recovered by or on behalf of the Borrower from the Swingline Lender in bankruptcy, by assignment for the benefit of creditors or otherwise, the loss of the amount so recovered shall be ratably shared among all Lenders in the manner contemplated by Section 2.14 .

(iv) If for any reason Revolving Loans are not made pursuant to Section 2.2(b)(iii ) in an amount sufficient to repay any amounts owed to the Swingline Lender in respect of any outstanding Swingline Loans on or before the third (3 rd ) Business Day after demand for payment thereof by the Swingline Lender, each Lender holding a Revolving Commitment shall be deemed to, and hereby agrees to, have purchased a participation in such outstanding Swingline Loans, and in an amount equal to its Revolving Commitment Percentage of the applicable unpaid amount together with accrued interest thereon; *provided* that any such participation purchased by a Lender shall be limited to an amount that would not cause the Revolving Credit Exposure of such Lender (after giving effect to such participation) to exceed such Lender's Revolving Commitment. On the Business Day that notice is provided by the Swingline Lender (or by the 11:00 a.m. on the following Business Day if such notice is provided after 2:00 p.m.), each Lender holding a Revolving Commitment shall deliver to the Swingline Lender an amount equal to its respective participation in the applicable unpaid amount in same day funds at the Principal Office of the Swingline Lender. In order to evidence such participation each Lender holding a Revolving Commitment agrees to enter into a participation agreement at the request of the Swingline Lender in form and substance reasonably satisfactory to the Swingline Lender. In the event any Lender holding a Revolving Commitment fails to make available to the Swingline Lender the amount of such Lender's participation as provided in this paragraph, the Swingline Lender shall be entitled to recover such amount on demand from such Lender together with interest thereon for three (3) Business Days at the rate customarily used by the Swingline Lender for the correction of errors among banks and thereafter at the Base Rate, as applicable.

(v) Notwithstanding anything co ntained herein to the contrary,

(A) each Lender's obligation to make Revolving Loans for the purpose of repaying any Refunded Swingline Loans pursuant to clause (iii ) above, and each Lender's obligation to purchase a participation in any unpaid Swingline Loans pursuant to the immediately preceding paragraph, shall be absolute and unconditional and shall not be affected by any circumstance, including:

(I) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the Swingline Lender, any Credit Party or any other Person for any reason whatsoever;

(II) the occurrence or continuation of a Default or Event of Default;

(III) any adverse change in the business, operations, properties, assets, condition (financial or otherwise) or prospects of any Credit Party;

(IV) any breach of this Agreement or any other Credit Document by any party thereto; or

(V) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing;

*provided* that such obligations of each Lender are subject to the condition that the Swingline Lender had not received prior notice from the Borrower or the Required Lenders that any of the conditions under Section 5.2 to the making of the applicable Refunded Swingline Loans or other unpaid Swingline Loans were not satisfied at the time such Refunded Swingline Loans or other unpaid Swingline Loans were made; and

(B) the Swingline Lender shall not be obligated to make any Swingline Loans:

(I) if it has elected not to do so after the occurrence, and during the continuation, of a Default or Event of Default;

(II) it does not in good faith believe that all conditions under Section 5.2 to the making of such Swingline Loan have been satisfied or waived by the Required Lenders; or

(III) at a time when a Defaulting Lender exists, unless the Swingline Lender has entered into arrangements satisfactory to it and the Borrower to eliminate the Swingline Lender's risk with respect to the Defaulting Lender's participation in such Swingline Loan, including by Cash Collateralizing such Defaulting Lender's Revolving Commitment Percentage of the outstanding Swingline Loans in a manner reasonably satisfactory to the Swingline Lender and the Administrative Agent.

(vi) In order to facilitate the borrowing of Swingline Loans, the Borrower and the Swingline Lender may mutually agree to, and are hereby authorized to, enter into an auto borrow agreement in form and substance satisfactory to the Swingline Lender and the Administrative Agent (the " Auto Borrow Agreement ") providing for the automatic advance by the Swingline Lender of Swingline Loans under the conditions set forth in the Auto Borrow Agreement, subject to the conditions set forth herein. At any time an Auto Borrow Agreement is in effect, advances under the Auto Borrow Agreement shall be deemed Swingline Loans for all purposes hereof, except that Borrowings of Swingline Loans under the Auto Borrow Agreement shall be made in accordance with the Auto Borrow Agreement. For purposes of determining the Total Revolving Outstandings at any time during which an

Auto Borrow Agreement is in effect, the Outstanding Amount of all Swingline Loans shall be deemed to be the *sum of* the Outstanding Amount of Swingline Loans at such time *plus* the maximum amount available to be borrowed under such Auto Borrow Agreement at such time.

Section 2.3 Issuances of Letters of Credit and Purchase of Participations Therein .

(a) Letters of Credit . During the Revolving Commitment Period, subject to the terms and conditions hereof, the Issuing Bank agrees to issue Letters of Credit for the account of the Borrower or any of its Subsidiaries in the aggregate amount up to, but not exceeding, the Letter of Credit Sublimit, *provided* :

(i) each Letter of Credit shall be denominated in Dollars;

(ii) the stated amount of each Letter of Credit shall not be less than Fifty Thousand Dollars ($50,000) or such lesser amount as is acceptable to the Issuing Bank;

(iii) after giving effect to such issuance, in no event shall: (A) the Total Revolving Outstandings exceed the Aggregate Revolving Commitments; (B) the Revolving Credit Exposure of any Lender exceed such Lender's Revolving Commitment; and (C) the Outstanding Amount of Letter of Credit Obligations exceed the Letter of Credit Sublimit; and

(iv) in no event shall any Letter of Credit have an expiration date later than the earlier of: (A) seven (7) days prior to the Revolving Commitment Termination Date; and (B) the date which is one (1) year from the date of issuance of such Letter of Credit.

Subject to the foregoing (other than clause (iv )) the Issuing Bank may agree that a Letter of Credit will automatically be extended for one or more successive periods not to exceed one (1) year each, unless the Issuing Bank elects not to extend for any such additional period; *provided* , the Issuing Bank shall not extend any such Letter of Credit if it has received written notice that an Event of Default has occurred and is continuing at the time the Issuing Bank must elect to allow such extension; *provided* , *further* , in the event that any Lender is at such time a Defaulting Lender, unless the Issuing Bank has entered into arrangements satisfactory to the Issuing Bank (in its sole discretion) with the Borrower or such Defaulting Lender to eliminate the Issuing Bank's Fronting Exposure with respect to such Lender (after giving effect to Section 2.16(a)(iv ) and any Cash Collateral provided by the Defaulting Lender), including by Cash Collateralizing such Defaulting Lender's Revolving Commitment Percentage of the Outstanding Amount of the Letter of Credit Obligations in a manner reasonably satisfactory to Agents, the Issuing Bank shall not be obligated to issue or extend any Letter of Credit hereunder. The Issuing Bank may send a Letter of Credit or conduct any communication to or from the beneficiary via the Society for Worldwide Interbank Financial Telecommunication ("SWIFT") message or overnight courier, or any other commercially reasonable means of communicating with a beneficiary.

(b) Notice of Issuance . Whenever the Borrower desires the issuance of a Letter of Credit, the Borrower shall deliver to the Administrative Agent an Issuance Notice no later than 1:00 p.m. at least three (3) Business Days or such shorter period as may be agreed to by the Issuing Bank in any particular instance, in advance of the proposed date of issuance. Upon satisfaction or waiver of the conditions set forth in Section 5.2 , the Issuing Bank shall issue the requested Letter of Credit only in accordance the Issuing Bank's standard operating procedures (including, without limitation, the delivery by the Borrower of such executed documents and information pertaining to such requested Letter of Credit, including any Issuer Documents, as the Issuing Bank or the Administrative Agent may require). Upon the issuance of any Letter of Credit or amendment or modification to a Letter of Credit, the Issuing Bank shall promptly notify the Administrative Agent and each Lender of such issuance, which notice shall be accompanied by a copy of such Letter of Credit or amendment or modification to a Letter of Credit and the amount of such Lender's respective participation in such Letter of Credit pursuant to Section 2.3(e ) .

(c) Responsibility of Issuing Bank With Respect to Requests for Drawings and Payments . In determining whether to honor any drawing under any Letter of Credit by the beneficiary thereof, the Issuing Bank shall be responsible only to examine the documents delivered under such Letter of Credit with reasonable care so as to ascertain whether they appear on their face to be in accordance with the terms and condi tions of such Letter of Credit. As between the Borrower and the Issuing Bank , the Borrower assumes all risks of the acts and omissions of, or misuse of the Letters of Credit issued by the Issuing Bank , by the respective beneficia ries of such Letters of Credit. In furtherance and not in limitation of the foregoing, the Issuing Bank shall not be responsible for:

(i) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of any such Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged;

(ii) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any such Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason;

(iii) failure of the beneficiary of any such Letter of Credit to comply fully with any conditions required in order to draw upon such Letter of Credit;

(iv) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher;

(v) errors in interpretation of technical terms;

(vi) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any such Letter of Credit or of the proceeds thereof;

(vii) the misapplication by the beneficiary of any such Letter of Credit of the proceeds of any drawing under such Letter of Credit; or

(viii) any consequences arising from causes beyond the control of the Issuing Bank, including any Governmental Acts; none of the above shall affect or impair, or prevent the vesting of, the Issuing Bank's rights or powers hereunder.

Without limiting the foregoing and in furtherance thereof, any action taken or omitted by the Issuing Bank under or in connection with the Letters of Credit or any documents and certificates delivered thereunder, if taken or omitted in good faith, shall not give rise to any liability on the part of the Issuing Bank to any Credit Party. Notwithstanding anything to the contrary contained in this Section 2.3(c ), the Borrower shall retain any and all rights it may have against the Issuing Bank for any liability arising solely out of the gross negligence or willful misconduct of the Issuing Bank , as determined by a court of competent jurisdiction in a final, non-appealable order.

(d) Reimbursement by the Borrower of Amounts Drawn or Paid Under Letters of Credit . In the event the Issuing Bank has determined to honor a drawing under a Letter of Credit, it shall immediately notify the Borrower and the Administrative Agent, and the Borrower shall reimburse the Issuing Bank on or before the Business Day immediately following the date on which such drawing is honored (the " Reimbursement Date ") in an amount in Dollars and in same day funds equal to the amount of such honored drawing; *provided* , anything contained herein to the contrary notwithstanding, (i) unless the Borrower shall have notified the Administrative Agent and the Issuing Bank prior to 11:00 a.m. on the date such drawing is honored that the Borrower intends to reimburse the Issuing Bank for the amount of such honored drawing with funds other than the proceeds of Revolving Loans, the Borrower shall be deemed to have given a timely Funding Notice to the Administrative Agent requesting the Lenders to make Revolving Loans that are Base Rate Loans on the

Reimbursement Date in an amount in Dollars equal to the amount of such honored drawing, and (ii) subject to satisfaction or waiver of the conditions specified in Section 5.2 , the Lenders shall, on the Reimbursement Date, make Revolving Loans that are Base Rate Loans in the amount of such honored drawing, the proceeds of which shall be applied directly by the Administrative Agent to reimburse the Issuing Bank for the amount of such honored drawing; and *provided* , *further* , if for any reason proceeds of Revolving Loans are not received by the Issuing Bank on the Reimbursement Date in an amount equal to the amount of such honored drawing, the Borrower shall reimburse the Issuing Bank , on demand, in an amount in same day funds equal to the excess of the amount of such honored drawing over the aggregate amount of such Revolving Loans, if any, which are so received. Nothing in this Section 2.3(d ) shall be deemed to relieve any Lender from its obligation to make Revolving Loans on the terms and conditions set forth herein, and the Borrower shall retain any and all rights it may have against any Lender resulting from the failure of such Lender to make such Revolving Loans under this Section 2.3(d ) .

(e) Lenders' Purchase of Participations in Letters of Credit . Immediately upon the issuance of each Letter of Credit, each Lender having a Revolving Commitment shall be deemed to have purchased, and hereby agrees to irrevocably purchase, from the Issuing Bank a participation in such Letter of Credit and any drawings honored thereunder in an amount equal to such Lender's Revolving Commitment Percentage (with respect to the Revolving Commitments) of the maximum amount which is or at any time may become available to be drawn thereunder; *provided* that any such participation purchased by a Lender shall be limited to an amount that would not cause the Revolving Credit Exposure of such Lender (after giving effect to such participation) to exceed such Lender's Revolving Commitment. In the event that the Borrower shall fail for any reason to reimburse the Issuing Bank as provided in clause (d ) above, the Issuing Bank shall promptly notify each Lender of the unreimbursed amount of such honored drawing and of such Lender's respective participation therein based on such Lender's Revolving Commitment Percentage. Each Lender shall make available to the Issuing Bank an amount equal to its respective participation, in Dollars and in same day funds, at the office of the Issuing Bank specified in such notice, not later than 12:00 p.m. on the first Business Day (under the laws of the jurisdiction in which such office of the Issuing Bank is located) after the date notified by the Issuing Bank. In the event that any Lender fails to make available to the Issuing Bank on such Business Day the amount of such Lender's participation in such Letter of Credit as provided in this clause (e ), the Issuing Bank shall be entitled to recover such amount on demand from such Lender together with interest thereon for three (3) Business Days at the rate customarily used by the Issuing Bank for the correction of errors among banks and thereafter at the Base Rate. Nothing in this clause (e ) shall be deemed to prejudice the right of any Lender to recover from the Issuing Bank any amounts made available by such Lender to the Issuing Bank pursuant to this Section in the event that it is determined that the payment with respect to a Letter of Credit in respect of which payment was made by such Lender constituted gross negligence or willful misconduct on the part of the Issuing Bank, as determined by a court of competent jurisdiction in a final, non-appealable order. In the event the Issuing Bank shall have been reimbursed by other Lenders pursuant to this clause (e ) for all or any portion of any drawing honored by the Issuing Bank under a Letter of Credit, the Issuing Bank shall distribute to each Lender which has paid all amounts payable by it under this clause (e ) with respect to such honored drawing such Lender's Revolving Commitment Percentage of all payments subsequently received by the Issuing Bank from the Borrower in reimbursement of such honored drawing when such payments are received. Any such distribution shall be made to a Lender at its primary address set forth below its name on Appendix B or at such other address as such Lender may request.

(f) Obligations Absolute . The obligation of the Borrower to reimburse the Issuing Bank for drawings honored under the Letters of Credit issued by it and to repay any Revolving Loans made by the Lenders pursuant to clause (d ) above and the obligations of the Lenders under clause (e ) above shall be unconditional and irrevocable and shall be paid strictly in accordance with the terms hereof under all circumstances including any of the following circumstances:

(i) any lack of validity or enforceability of any Letter of Credit;

(ii) the existence of any claim, set ‑off, defense (other than that such drawing has been repaid) or other right which the Borrower or any Lender may have at any time against a beneficiary or any transferee of any Letter of Credit (or any Persons for whom any such transferee may be acting), the Issuing Bank , a Lender or any other Person or, in the case of a Lender, against the Borrower, whether in connection herewith, the transactions contemplated herein or any unrelated transaction (including any underlying transaction between the Borrower or any of its Subsidiaries and the beneficiary for which any Letter of Credit was procured);

(iii) any draft or other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(iv) payment by the Issuing Bank under any Letter of Credit against presentation of a draft or other document which does not substantially comply with the terms of such Letter of Credit;

(v) any adverse change in the business, operations, properties, assets, or financial condition of the Borrower or any of its Subsidiaries;

(vi) any breach hereof or any other Credit Document by any party thereto;

(vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing; or

(viii) the fact that an Event of Default or a Default shall have occurred and be continuing;

*provided* , in each case, that payment by the Issuing Bank under the applicable Letter of Credit shall not have constituted gross negligence or willful misconduct of the Issuing Bank under the circumstances in question, as determined by a court of competent jurisdiction in a final, non-appealable order.

(g) Indemnification . Without duplication of any obligation of the Credit Parties under Section 11.2 , in addition to amounts payable as provided herein, each of the Credit Parties hereby agrees, on a joint and several basis, to protect, indemnify, pay and save harmless the Issuing Bank from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable out-of-pocket fees, expenses and disbursements of counsel) which the Issuing Bank may incur or be subject to as a consequence, direct or indirect, of:

(i) the issuance of any Letter of Credit by the Issuing Bank, other than as a result of:

(A) the gross negligence or willful misconduct of the Issuing Bank, as determined by a court of competent jurisdiction in a final, non-appealable order; or

(B) the wrongful dishonor by the Issuing Bank of a proper demand for payment made under any Letter of Credit issued by it; or

(ii) the failure of the Issuing Bank to honor a drawing under any such Letter of Credit as a result of any Governmental Act.

(h) Applicability of ISP . Unless otherwise expressly agreed by the Issuing Bank and the Borrower when a Letter of Credit is issued, the rules of the ISP shall apply to each Letter of Credit.

(i) Letters of Credit Issued for Subsidiaries . Notwithstanding that a Letter of Credit issued or outstanding hereunder is in support of any obligations of, or is for the account of, a Subsidiary of the Borrower, the Borrower shall be obligated to reimburse the Issuing Bank hereunder for any and all drawings under such Letter of Credit. The Borrower hereby acknowledges that the issuance of Letters of Credit for the

account of the Subsidiaries inures to the benefit of the Borrower, and that the Borrower's business derives substantial benefits from the businesses of such Subsidiaries.

(j) Conflict with Issuer Documents . In the event of any conflict between the terms hereof and the terms of any Issuer Document, the terms hereof shall control.

Section 2.4 Pro Rata Shares; Availability of Funds .

(a) Pro Rata Shares . All Loans shall be made, and all participations purchased, by the Lenders simultaneously and proportionately to their respective pro rata shares of the Loans, it being understood that no Lender shall be responsible for any default by any other Lender in such other Lender's obligation to make a Loan requested hereunder or purchase a participation required hereby nor shall any Revolving Commitment or any Term Loan Commitment, or the portion of the aggregate outstanding principal amount of the Revolving Loans or the Term Loans, of any Lender be increased or decreased as a result of a default by any other Lender in such other Lender's obligation to make a Loan requested hereunder or purchase a participation required hereby.

(b) Availability of Funds .

(i) Funding by Lenders; Presumption by Administrative Agent . Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing (or, in the case of any Borrowing of Base Rate Loans, prior to 12:00 noon on the date of such Borrowing) that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.1(c ) or, in the case of a Borrowing of Base Rate Loans, that such Lender has made such share available in accordance with, and at the time required by, Section 2.1(c) and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount in immediately available funds with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at: (A) in the case of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation; and (B) in the case of a payment to be made by the Borrower, the interest rate applicable to Base Rate Loans, *plus* , in either case, any administrative, processing or similar fees customarily charged by the Administrative Agent in connection therewith. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender pays its share of the applicable Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Loan included in such Borrowing. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(ii) Payments by the Borrower; Presumptions by Administrative Agent . Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing Bank hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Bank, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or the Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or the Issuing Bank, in immediately available funds with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the

date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

Notices given by the Administrative Agent under this clause (b ) shall be conclusive absent manifest error.

Section 2.5 Evidence of Debt; Register; Lenders' Books and Records; Notes .

(a) Lenders' Evidence of Debt . Each Lender shall maintain on its internal records an account or accounts evidencing the Obligations of the Borrower and each other Credit Party to such Lender, including the amounts of the Loans made by it and each repayment and prepayment in respect thereof. Any such recordation shall be conclusive and binding on the Borrower, absent manifest error; *provided* , that the failure to make any such recordation, or any error in such recordation, shall not affect any Lender's Commitment or the Borrower's obligations in respect of any applicable Loans; and *provided* , *further* , in the event of any inconsistency between the Register and any Lender's records, the recordations in the Register shall govern in the absence of demonstrable error therein.

(b) Notes . The Borrower shall execute and deliver to each (i) Lender on the Closing Date, (ii) Person who is a permitted assignee of such Lender pursuant to Section 11.5 , and (iii) Person who becomes a Lender in accordance with Section 2.1(d ), in each case, to the extent requested by such Person, a Note or Notes to evidence such Person's portion of the Revolving Loans, Swingline Loans or Term Loans, as applicable.

Section 2.6 Scheduled Principal Payments .

(a) Revolving Loans . The principal amount of Revolving Loans is due and payable in full on the Revolving Commitment Termination Date.

(b) Swingline Loans . The principal amount of the Swingline Loans is due and payable in full on the earlier to occur of: (i) the date of demand by the Swingline Lender; and (ii) the Revolving Commitment Termination Date.

(c) Term Loan A . The principal amount of the Term Loan A shall be repaid in equal quarterly installments, beginning with the close of the Fiscal Quarter ending March 31, 2019, in the amount of One Million Eight-Hundred and Seventy-Five Thousand Dollars ($1,875,000) (as such installments may hereafter be adjusted as a result of prepayments made pursuant to Section 2.11 ), unless accelerated sooner pursuant to Section 9 .

(d) Additional Term Loans . The principal amount of any Term Loan established after the Closing Date pursuant to Section 2.1(d)(iii ) shall be repaid in installments on the date and in the amounts set forth in the documents executed and delivered by the Borrower pursuant to which such additional Term Loan is established.

Section 2.7 Interest on Loans .

(a) Except as otherwise set forth herein, each Loan shall bear interest on the unpaid principal amount thereof from the date made through repayment (whether by acceleration or otherwise) thereof as follows:

(i) in the case of Revolving Loans or the Term Loan A:

(A) if a Base Rate Loan (including a Base Rate Loan referencing the LIBOR Index Rate), the Base Rate *plus* the Applicable Margin; or

(B) if an Adjusted LIBOR Rate Loan, the Adjusted LIBOR Rate *plus* the Applicable Margin; and

(ii) in the case of Swingline Loans, at the Swingline Rate (or with respect to any Swingline Loan advanced pursuant to an Auto Borrow Agreement, such other rate as separately agreed in writing between the Borrower and the Swingline Lender);

(iii) in the case of any Term Loan established pursuant to Section 2.1(d)(iii ), at the percentages per annum specified in the lender joinder agreement(s) and/or the commitment agreement(s) whereby such Term Loan is established.

(b) The basis for determining the rate of interest with respect to any Loan (except a Swingline Loan, which may only be made and maintained at the Swingline Rate (unless and until converted into a Revolving Loan pursuant to the terms and conditions hereof), and the Interest Period with respect to any Adjusted LIBOR Rate Loan, shall be selected by the Borrower and notified to the Administrative Agent and the Lenders pursuant to the applicable Funding Notice or Conversion/Continuation Notice, as the case may be. If, on any day, a Loan is outstanding with respect to which a Funding Notice or Conversion/Continuation Notice has not been delivered to the Administrative Agent in accordance with the terms hereof specifying the applicable basis for determining the rate of interest, then for that day: (i) if such Loan is an Adjusted LIBOR Rate Loan, such Loan shall become a Base Rate Loan; and (ii) if such Loan is a Base Rate Loan, such Loan shall remain a Base Rate Loan.

(c) In connection with Adjusted LIBOR Rate Loans, there shall be no more than eight (8) Interest Periods outstanding at any time. In the event the Borrower fails to specify between a Base Rate Loan or an Adjusted LIBOR Rate Loan in the applicable Funding Notice or Conversion/Continuation Notice, such Loan: (i) if outstanding as an Adjusted LIBOR Rate Loan, will be automatically converted into a Base Rate Loan on the last day of the then-current Interest Period for such Loan; and (ii) if outstanding as a Base Rate Loan will remain as, or (if not then outstanding) will be made as, a Base Rate Loan. In the event the Borrower fails to specify an Interest Period for any Adjusted LIBOR Rate Loan in the applicable Funding Notice or Conversion/Continuation Notice, the Borrower shall be deemed to have selected an Interest Period of one (1) month. As soon as practicable after 10:00 a.m. on each Interest Rate Determination Date and each Index Rate Determination Date, the Administrative Agent shall determine (which determination shall, absent manifest error, be final, conclusive and binding upon all parties) the interest rate that shall apply to each of the LIBOR Loans for which an interest rate is then being determined (and for the applicable Interest Period in the case of Adjusted LIBOR Rate Loans) and shall promptly give notice thereof (in writing or by telephone confirmed in writing) to the Borrower and each Lender.

(d) Interest payable pursuant to this Section 2.7 shall be computed on the basis of: (i) for interest at the Base Rate (including Base Rate Loans determined by reference to the LIBOR Index Rate), year of three hundred sixty-five (365) or three hundred sixty-six (366) days, as the case may be; and (ii) for all other computations of fees and interest, a year of three hundred sixty (360) days, in each case, for the actual number of days elapsed in the period during which it accrues. In computing interest on any Loan, the date of the making of such Loan, or the first (1 st ) day of an Interest Period applicable to such Loan, or, with respect to a Base Rate Loan being converted from an Adjusted LIBOR Rate Loan, the date of conversion of such Adjusted LIBOR Rate Loan to such Base Rate Loan, as the case may be, shall be included, and the date of payment of such Loan or the expiration date of an Interest Period applicable to such Loan or, with respect to a Base Rate Loan being converted to an Adjusted LIBOR Rate Loan, the date of conversion of such Base Rate Loan to such Adjusted LIBOR Rate Loan, as the case may be, shall be excluded; *provided* , if a Loan is repaid on the same day on which it is made, one (1) day's interest shall be paid on that Loan.

(e) If, as a result of any restatement of or other adjustment to the financial statements of the Borrower or for any other reason, the Borrower or the Lenders determine that (i) the Consolidated Leverage Ratio as calculated by the Borrower as of any applicable date was inaccurate, and (ii) a proper calculation of the

Consolidated Leverage Ratio would have resulted in higher pricing for such period, the Borrower shall immediately and retroactively be obligated to pay to the Administrative Agent for the account of the Lenders promptly on demand (and in any event not greater than 10 days after such demand ) by the Administrative Agent (or, after the occurrence of an actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code or other Debtor Relief Law, automatically and without further action by the Administrative Agent or any Lender), an amount equal to the excess of the amount of interest and fees that should have been paid for such period over the amount of interest and fees actually paid for such period. This clause (e ) shall not limit the rights of the Administrative Agent or any Lender, as the case may be, under any oth er provision of this Agreement. The Borrower's obligations under this paragraph shall survive the termination of the Commitments and the repayment of all other Obligations.

(f) Except as otherwise set forth herein, interest on each Loan shall accrue on a daily basis and shall be payable in arrears on and to: (i) each Interest Payment Date applicable to that Loan; (ii) upon any prepayment of that Loan (other than a voluntary prepayment of a Revolving Loan or Term Loan which interest shall be payable in accordance with clause (i ) above), to the extent accrued on the amount being prepaid; and (iii) at maturity, including final maturity.

(g) The Borrower agrees to pay to the Issuing Bank, with respect to drawings honored under any Letter of Credit issued by the Issuing Bank, interest on the amount paid by the Issuing Bank in respect of each such honored drawing from the date such drawing is honored to but excluding the date such amount is reimbursed by or on behalf of the Borrower at a rate equal to:

(i) for the period from the date such drawing is honored to but excluding the applicable Reimbursement Date, the rate of interest otherwise payable hereunder with respect to Revolving Loans that are Base Rate Loans; and

(ii) thereafter, a rate which is the lesser of: (y) two percent (2.0%) per annum in excess of the rate of interest otherwise payable hereunder with respect to Revolving Loans that are Base Rate Loans; and (z) the Highest Lawful Rate.

(h) Interest payable pursuant to Section 2.7(g ) shall be computed on the basis of a year of three hundred sixty-five (365) or three hundred sixty-six (366) days, as the case may be, for the actual number of days elapsed in the period during which it accrues, and shall be payable on demand or, if no demand is made, on the date on which the related drawing under a Letter of Credit is reimbursed in full. Promptly upon receipt by the Issuing Bank of any payment of interest pursuant to Section 2.7(g ), the Issuing Bank shall distribute to each Lender, out of the interest received by the Issuing Bank in respect of the period from the date such drawing is honored to, but excluding, the date on which the Issuing Bank is reimbursed for the amount of such drawing (including any such reimbursement out of the proceeds of any Revolving Loans), the amount that such Lender would have been entitled to receive in respect of the letter of credit fee that would have been payable in respect of such Letter of Credit for such period if no drawing had been honored under such Letter of Credit. In the event the Issuing Bank shall have been reimbursed by the Lenders for all or any portion of such honored drawing, the Issuing Bank shall distribute to each Lender which has paid all amounts payable by it under Section 2.3(e ) with respect to such honored drawing such Lender's Revolving Commitment Percentage of any interest received by the Issuing Bank in respect of that portion of such honored drawing so reimbursed by the Lenders for the period from the date on which the Issuing Bank was so reimbursed by the Lenders to but excluding the date on which such portion of such honored drawing is reimbursed by the Borrower.

Section 2.8 Conversion/Continuation .

(a) So long as no Default or Event of Default shall have occurred and then be continuing or would result therefrom, the Borrower shall have the option:

(i) to convert at any time all , or any part , of any Loan equal to One Hundred Thousand Dollars ($100,000) and integral multiples of Fifty Thousand Dollars ($50,000) in excess thereof from one Type of Loan to another Type of Loan; *provided* , an Adjusted LIBOR Rate Loan may only be converted on the expiration of the Interest Period applicable to such Adjusted LIBOR Rate Loan unless the Borrower shall pay all amounts due under Section 3.1(c ) in connection with any such conversion; or

(ii) upon the expiration of any Interest Period applicable to any Adjusted LIBOR Rate Loan, to continue all or any portion of such Loan as an Adjusted LIBOR Rate Loan.

(b) The Borrower shall deliver a Conversion/Continuation Notice to the Administrative Agent no later than 1:00 p.m. at least three (3) Business Days in advance of the proposed Conversion/Continuation Date. Except as otherwise provided herein, a Conversion/Continuation Notice for conversion to, or continuation of, any Adjusted LIBOR Rate Loans (or telephonic notice in lieu thereof) shall be irrevocable on and after the related Interest Rate Determination Date, and the Borrower shall be bound to effect a conversion or continuation in accordance therewith.

Section 2.9 Default Rate of Interest .

(a) If any amount of principal of any Loan is not paid when due, whether at stated maturity, by acceleration or otherwise, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by Applicable Laws.

(b) If any amount (other than principal of any Loan) payable by the Borrower under any Credit Document is not paid when due (after the expiration of any applicable grace periods), whether at stated maturity, by acceleration or otherwise, then, at the request of the Required Lenders, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by Applicable Laws.

(c) During the continuance of an Event of Default under clauses (f ) or ( g ) of Section 9.1 , the Borrower shall pay interest on the principal amount of all outstanding Obligations hereunder at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by Applicable Laws.

(d) During the continuance of an Event of Default other than an Event of Default under clauses (f ) or ( g ) of Section 9.1 , the Borrower shall, at the request of the Required Lenders, pay interest on the principal amount of all outstanding Obligations hereunder at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by Applicable Laws.

(e) Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(f) In the case of any Adjusted LIBOR Rate Loan, upon the expiration of the Interest Period in effect at the time the Default Rate of interest is effective, each such Adjusted LIBOR Rate Loan shall thereupon become a Base Rate Loan and shall thereafter bear interest at the Default Rate then in effect for Base Rate Loans. Payment or acceptance of the increased rates of interest provided for in this Section 2.9 is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of the Administrative Agent or any Lender.

Section 2.10 Fees .

(a) Commitment Fee . The Borrower shall pay to the Administrative Agent for the account of each Lender in accordance with its Revolving Commitment Percentage, a commitment fee (the " Commitment Fee ") equal to the Applicable Margin of the actual daily amount by which the Aggregate Revolving Commitments exceeds the Total Revolving Outstandings, subject to adjustments as provided in Section 2.16 . The Commitment Fee shall accrue at all times during the Revolving Commitment Period, including at any time during which one

or more of the conditions in Section 5 is not met, and shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the Closing Date, and on the Revolving Commitment Termination Date; *provided* that (1) no Commitment Fee shall accrue on any of the Revolving Commitment of a Defaulting Lender , so long as such Lender shall be a Defaulting Lender , and (2) any Commitment Fee accrued with respect to the Revolving Commitment of a Defaulting Lender during the period prior to the time such Lender became a Defaulting Lender and unpaid at such time shall not be payable by the Borrower , so long as such Lende r shall be a Defaulting Lender. The Commitment Fee shall be calculated quarterly in arrears, and if there is any change in the Applicable Margin during any quarter, the actual daily amount shall be computed and *multiplied by* the Applicable Margin separately for each period during such quarter that such A pplicable Margin was in effect. For purposes hereof, Swingline Loans shall not be counted toward or be considered as usage of the Aggregate Revolving Commitments.

(b) Letter of Credit Fees .

(i) Letter of Credit Fees . The Borrower shall pay to the Administrative Agent for the account of each Lender, in accordance with its Revolving Commitment Percentage: a Letter of Credit fee for each Letter of Credit equal to the Applicable Margin *multiplied by* the daily maximum amount available to be drawn under such Letter of Credit (collectively, the " Letter of Credit Fees "). For purposes of computing the daily amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.3(i ). The Letter of Credit Fees shall be computed on a quarterly basis in arrears, and shall be due and payable on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the issuance of such Letter of Credit, on the expiration date thereof and thereafter on demand; *provided* that (1) no Letter of Credit Fees shall accrue in favor of a Defaulting Lender so long as such Lender shall be a Defaulting Lender, and (2) any Letter of Credit Fees accrued in favor of a Defaulting Lender during the period prior to the time such Lender became a Defaulting Lender and unpaid at such time shall not be payable by the Borrower so long as such Lender shall be a Defaulting Lender. If there is any change in the Applicable Margin during any quarter, the daily maximum amount available to be drawn under each Letter of Credit shall be computed and multiplied by the Applicable Margin separately for each period during such quarter that such Applicable Margin was in effect. Notwithstanding anything to the contrary contained herein, during the continuance of an Event of Default under clauses (f ) and ( g ) of Sections 9.1 , all Letter of Credit Fees shall accrue at the Default Rate, and during the continuance of an Event of Default other than an Event of Default under clauses (f ) or ( g ) of Sections 9.1 , then upon the request of the Required Lenders, all Letter of Credit Fees shall accrue at the Default Rate.

(ii) Fronting Fee and Documentary and Processing Charges Payable to Issuing Bank . The Borrower shall pay, directly to the Issuing Bank for its own account, a fronting fee with respect to each Letter of Credit, at the rate per annum specified in the Fee Letter, computed on the daily amount available to be drawn under such Letter of Credit on a quarterly basis in arrears. Such fronting fee shall be due and payable on the last Business Day of each March, June, September and December in respect of the most recently-ended quarterly period (or portion thereof, in the case of the first payment), commencing with the first (1 st ) such date to occur after the issuance of such Letter of Credit, on its expiration date and thereafter on demand. For purposes of computing the daily amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.3(i ). In addition, the Borrower shall pay directly to the Issuing Bank for its own account the customary issuance, presentation, amendment and other processing fees, and other standard costs and charges, of the Issuing Bank relating to letters of credit as from time to time in effect. Such customary fees and standard costs and charges are due and payable on demand and are non-refundable.

(c) Other Fees . The Borrower shall pay to Regions Capital Markets, a division of Regions Bank, and the Administrative Agent for their own respective accounts fees in the amounts and at the times specified in

the Fee Letter. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever, except to the extent set forth in the Fee Letter.

Section 2.11 Prepayments/Commitment Reductions .

(a) Voluntary Prepayments .

(i) Any time and from time to time, the Loans may be repaid in whole or in part without premium or penalty (subject to Section 3.1 ):

(A) with respect to Base Rate Loans (including Base Rate Loans referencing the LIBOR Index Rate), the Borrower may prepay any such Loans on any Business Day, in whole or in part, in an aggregate minimum amount of Five-Hundred Thousand Dollars ($500,000) and integral multiples of One-Hundred Thousand Dollars ($100,000) in excess thereof;

(B) with respect to Adjusted LIBOR Rate Loans, the Borrower may prepay any such Loans on any Business Day, in whole or in part (together with any amounts due pursuant to Section 3.1(c) ), in an aggregate minimum amount of Five-Hundred Thousand Dollars ($500,000) and integral multiples of One-Hundred Thousand Dollars ($100,000) in excess thereof; and

(C) with respect to Swingline Loans, the Borrower may prepay any such Loans on any Business Day, in whole or in part, in any amount;

(ii) All such prepayments shall be made:

(A) upon written or telephonic notice on the date of prepayment in the case of Base Rate Loans or Swingline Loans; and

(B) upon not less than three (3) Business Days' prior written or telephonic notice in the case of Adjusted LIBOR Rate Loans;

in each case, given to the Administrative Agent or the Swingline Lender, as the case may be, by 11:00 a.m. on the date required and, if given by telephone, promptly confirmed in writing to the Administrative Agent (and the Administrative Agent will promptly transmit such telephonic or original notice for a Credit Extension by telefacsimile or telephone to each Lender). Upon the giving of any such notice, the principal amount of the Loans specified in such notice shall become due and payable on the prepayment date specified therein. Any such voluntary prepayment shall be applied as specified in Section 2.12(a ) .

(b) Voluntary Commitment Reductions .

(i) The Borrower may, from time to time upon not less than three (3) Business Days' prior written or telephonic notice confirmed in writing to the Administrative Agent (which original written or telephonic notice the Administrative Agent will promptly transmit by telefacsimile or telephone to each applicable Lender), at any time and from time to time, terminate, in whole or permanently reduce in part, the Revolving Commitments (ratably among the Lenders in accordance with their respective commitment percentage thereof), *provided* :

(A) any such partial reduction of the Revolving Commitments shall be in an aggregate minimum amount of Five Million Dollars ($5,000,000) and integral multiples of One Million Dollars ($1,000,000) in excess thereof;

(B) the Borrower shall not terminate or reduce the Aggregate Revolving Commitments if, after giving effect thereto and to any concurrent prepayments hereunder, the aggregate Total Revolving Outstandings exceed the Aggregat e Revolving Commitments; and

(C) if, after giving effect to any reduction of the Aggregate Revolving Commitments, the Letter of Credit Sublimit and/or the Swingline Sublimit exceed the amount of the Aggregate Revolving Commitments, the Letter of Credit Sublimit and/or the Swingline Sublimit, as applicable, shall be automatically reduced by the amount of such excess.

(ii) The Borrower's notice to the Administrative Agent shall designate the date (which shall be a Business Day) of such termination or reduction and the amount of any partial reduction, and such termination or reduction of the Revolving Commitments shall be effective on the date specified in the Borrower's notice and shall reduce the Revolving Commitments of each Lender proportionately to its Revolving Commitment Percentage thereof.

(c) Mandatory Prepayments .

(i) Revolving Commitments . If, at any time:

(A) the Total Revolving Outstandings shall exceed the Aggregate Revolving Commitments;

(B) the Outstanding Amount of Letter of Credit Obligations shall exceed the Letter of Credit Sublimit; or

(C) the Outstanding Amount of Swingline Loans shall exceed the Swingline Sublimit;

then immediate prepayment will be made on, or in respect of, the Revolving Obligations in an amount equal to such excess; *provided* , *however* , that, except with respect to clause (B ), Letter of Credit Obligations will not be Cash Collateralized hereunder until the Revolving Loans and Swingline Loans have been paid in full.

(ii) Asset Sales and Involuntary Dispositions . Prepayment will be made on the Obligations on the third Business Day following receipt of Net Cash Proceeds in an amount equal to one hundred percent (100.0%) of the Net Cash Proceeds received from any Asset Sale or Involuntary Disposition involving any asset of any Credit Party or any of its Subsidiaries (other than (A) any Asset Sales the aggregate amount of Net Cash Proceeds of which does not exceed One Million Dollars ($1,000,000) in any Fiscal Year, and (B) any Involuntary Dispositions the aggregate amount of Net Cash Proceeds of which does not exceed One Million Dollars ($1,000,000) in any Fiscal Year, in each case, to the extent such Net Cash Proceeds are not reinvested in the assets (excluding current assets as classified by GAAP) of the Credit Parties and their Subsidiaries within one hundred eighty (180) days of the date of such Asset Sale or Involuntary Disposition (it being understood that such prepayment shall be due immediately upon the expiration of such 180-day period); *provided* that no such reinvestment shall be made upon the occurrence and during the continuance of any Default or Event of Default). Notwithstanding anything to the contrary in the foregoing, no prepayments will be required to be made on the Obligations with respect to the receipt of Net Cash Proceeds from the sale of any assets by any Regulated Subsidiary.

(iii) Debt Transactions . Prepayment will be made on the Obligations in an amount equal to one hundred percent (100.0%) of the Net Cash Proceeds from any Debt Transactions on the Business Day following receipt thereof.

(iv) Securitization Transactions . Prepayment will be made on the Obligations in an amount equal to one hundred percent (100 .0 %) of the Net Cash Proceeds from any Securitization Transaction on the Business Day following receipt thereof.

Notwithstanding any other provision of this Section 2.11 , with respect to any amount of Net Cash Proceeds subject to Section 2.11(c)(ii ), ( iii ) or ( iv ) attributable to a Foreign Subsidiary, in the event the Borrower determines in good faith in consultation with the Administrative Agent that the upstreaming of cash equal to such amount by such Foreign Subsidiary (i) would violate any local law ( *e . g .*, financial assistance, thin capitalization, corporate benefit, or the fiduciary and statutory duties of the directors of such Foreign Subsidiary) or any term of any Organizational Document applicable to such Foreign Subsidiary required by Applicable Law, or (ii) would cause any material adverse tax consequence to the Borrower and its Subsidiaries, then such amount shall be excluded from such Net Cash Proceeds; provided, that for one (1) year from the date on which the obligation to make the applicable prepayment arose, the Borrower and such Foreign Subsidiary shall use all commercially reasonable efforts to overcome or eliminate any such restrictions or minimize any such costs of prepayment and, if successful, shall promptly make the applicable prepayment, unless the Borrower shall have determined in good faith in consultation with the Administrative Agent that such actions would require the expenditure of a material amount of funds.

Section 2.12 Application of Prepayments . Within each Loan, prepayments will be applied first to Base Rate Loans, then to LIBOR Loans in direct order of Interest Period maturities . In addition:

(a) Voluntary Prepayments . Voluntary prepayments will be applied as specified by the Borrower, *provided* that, in the case of prepayments on any of the Term Loans:

(i) the prepayment will be applied ratably to the Term Loans then outstanding; and

(ii) with respect to each Term Loan then outstanding, the prepayments will be applied to remaining principal installments thereunder on a *pro rata* basis.

(b) Mandatory Prepayments . Mandatory prepayments will be applied as follows:

(i) Mandatory prepayments in respect of the Revolving Commitments under Section 2.11(c)(i ) above shall be applied to the respective Revolving Obligations, as appropriate, but without a permanent reduction thereof.

(ii) Mandatory prepayments in respect of Asset Sales and Involuntary Dispositions under Section 2.11(c)(ii ), Debt Transactions under Section 2.11(c)(iii ) and Securitization Transactions under Section 2.11(c)(iv ) shall be applied as follows: *first* , ratably to the Term Loans, until paid in full, and *then* , to the Revolving Obligations (without a permanent reduction thereof) as follows: *first* , to the principal balance of the Swingline Loans, until the same shall have been paid in full, to the Swingline Lender; *second* , to the principal balance of the Revolving Loans, until the same shall have been paid in full, *pro rata* to the Lenders based on their respective Revolving Commitments; and *third* , to Cash Collateralize the Letters of Credit as of such date plus any accrued and unpaid fees thereon.

(iii) Mandatory prepayments with respect to each of the Term Loans will be applied to remaining principal installments thereunder (including the installment due on the Term Loan A Maturity Date) on a *pro rata* basis.

(c) Prepayments on the Obligations will be paid by the Administrative Agent to the Lenders ratably in accordance with their respective interests therein (except for Defaulting Lenders where their share will be applied as provided in Section 2.16(a)(ii ) hereof).

Section 2.13 General Provisions Regarding Payments .

(a) All payments by the Borrower of principal, interest, fees and other Obligations hereunder or under any other Credit Document shall be made in Dollars in immediately available funds, without defense, recoupment, setoff or counterclaim, free o f any restriction or condition. The Administrative Agent shall, and the Borrower hereby authorizes the Administrative Agent to, debit a deposit account of the Borrower or any of its Subsidiaries held with the Administrative Agent or any of its Affiliates and designated for such purpose by the Borrower or such Subsidiary in order to cause timely payment to be made to the Administrative Agent of all principal, interest and fees due hereunder or under any other Credit Document (subject to sufficient funds being available in its accounts for that purpose).

(b) In the event that the Administrative Agent is unable to debit a deposit account of the Borrower or any of its Subsidiaries held with the Administrative Agent or any of its Affiliates in order to cause timely payment to be made to the Administrative Agent of all principal, interest and fees due hereunder or any other Credit Document (including because insufficient funds are available in its accounts for that purpose), payments hereunder and under any other Credit Document shall be delivered to the Administrative Agent, for the account of the Lenders, not later than 2:00 p.m. on the date due at the Principal Office of the Administrative Agent or via wire transfer of immediately available funds to an account designated by the Administrative Agent (or at such other location as may be designated in writing by the Administrative Agent from time to time); for purposes of computing interest and fees, funds received by the Administrative Agent after that time on such due date shall be deemed to have been paid by the Borrower on the next Business Day.

(c) All payments in respect of the principal amount of any Loan (other than voluntary repayments of Revolving Loans) shall be accompanied by payment of accrued interest on the principal amount being repaid or prepaid, and all such payments (and, in any event, any payments in respect of any Loan on a date when interest is due and payable with respect to such Loan) shall be applied to the payment of interest then due and payable before application to principal.

(d) The Administrative Agent shall promptly distribute to each Lender at such address as such Lender shall indicate in writing, such Lender's applicable pro rata share of all payments and prepayments of principal and interest due to such Lender hereunder, together with all other amounts due with respect thereto, including all fees payable with respect thereto, to the extent received by the Administrative Agent.

(e) Notwithstanding the foregoing provisions hereof, if any Conversion/Continuation Notice is withdrawn as to any Affected Lender or if any Affected Lender makes Base Rate Loans in lieu of its pro rata share of any Adjusted LIBOR Rate Loans, the Administrative Agent shall give effect thereto in apportioning payments received thereafter.

(f) Subject to the provisos set forth in the definition of "Interest Period," whenever any payment to be made hereunder shall be stated to be due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in the computation of the payment of interest hereunder or of the Commitment Fee hereunder, but such payment shall be deemed to have been made on the date therefor for all other purposes hereunder.

(g) The Administrative Agent may, but shall not be obligated to, deem any payment by or on behalf of the Borrower hereunder that is not made in same day funds prior to 2:00 p.m. to be a non-conforming payment. Any such payment shall not be deemed to have been received by the Administrative Agent until the later of: (i) the time such funds become available funds; and (ii) the applicable next Business Day. The Administrative Agent shall give prompt telephonic notice to the Borrower and each applicable Lender (confirmed in writing) if any payment is non-conforming. Any non-conforming payment may constitute or become a Default or Event of Default in accordance with the terms of Section 9.1(a ). Interest shall continue to accrue on any principal as to which a non-conforming payment is made until such funds become available funds (but in no event less than the period from the date of such payment to the next succeeding applicable Business Day) at the Default Rate (unless otherwise provided by the Required Lenders) from the date such amount was due and payable until the date such amount is paid in full.

Section 2.14 Sharing of Payments by Lenders. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or other obligations hereunder resulting in such Lender receiving payment of a proportion of the aggregate amount of such Loans and accrued interest thereon or other such obligations greater than its *pro rata* share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and such other obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them; *provided* that:

(i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this Section shall not be construed to apply to:

(A) any payment made by the Borrower pursuant to, and in accordance with, the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender);

(B) any amounts applied by the Swingline Lender to outstanding Swingline Loans;

(C) any amounts applied to Letter of Credit Obligations by the Issuing Bank or Swingline Loans by the Swingline Lender, as appropriate, from Cash Collateral provided under Section 2.15 or 2.16 ; or

(D) any payment obtained by a Lender as consideration for the assignment of, or sale of, a participation in any of its Loans, or participations in Letter of Credit Obligations, Swingline Loans or other obligations hereunder, to any assignee or participant, other than to the Borrower or any Subsidiary thereof (as to which the provisions of this Section 2.14 shall apply).

Each of the Credit Parties consents to the foregoing and agrees, to the extent it may effectively do so under Applicable Laws, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Credit Party rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Credit Party in the amount of such participation.

Section 2.15 Cash Collateral. At any time that there shall exist a Defaulting Lender, within one (1) Business Day following the written request of the Administrative Agent or the Issuing Bank (with a copy to the Administrative Agent) the Borrower shall Cash Collateralize the Issuing Bank's Fronting Exposure with respect to such Defaulting Lender in an amount sufficient to cover the applicable Fronting Exposure (after giving effect to Section 2.16(a)(iv) and any Cash Collateral provided by the Defaulting Lender) .

(a) Grant of Security Interest . The Borrower, and to the extent provided by any Defaulting Lender, such Defaulting Lender, hereby grants to the Administrative Agent, for the benefit of the Issuing Bank, and agrees to maintain, a perfected first priority security interest in all such Cash Collateral as security for the Defaulting Lenders' obligation to fund participations in respect of Letter of Credit Obligations, to be applied pursuant to clause (b ) below. If at any time the Administrative Agent determines that Cash Collateral is subject to any right or claim of any Person other than the Administrative Agent and the Issuing Bank as herein provided, or that the total amount of such Cash Collateral is less than the applicable Fronting Exposure, the Borrower will, promptly upon demand by the Administrative Agent, pay or provide to the Administrative Agent additional

Cash Collateral in an amount sufficient to eliminate such deficiency (after giving effect to any Cash Collateral provided by the Defaulting Lender).

(b) Application . Notwithstanding anything to the contrary contained in this Agreement, Cash Collateral provided under this Section 2.15 or Section 2.16 in respect of Letters of Credit shall be applied to the satisfaction of the Defaulting Lender's obligation to fund participations in respect of Letter of Credit Obligations (including, as to Cash Collateral provided by a Defaulting Lender, any interest accrued on such obligation) for which the Cash Collateral was so provided, prior to any other application of such property as may otherwise be provided for herein.

(c) Termination of Requirement . Cash Collateral (or the appropriate portion thereof) provided to reduce the Issuing Bank's Fronting Exposure shall no longer be required to be held as Cash Collateral pursuant to this Section 2.15 following:

(i) the elimination of the applicable Fronting Exposure (including by the termination of Defaulting Lender status of the applicable Lender); or

(ii) the determination by the Administrative Agent and the Issuing Bank that there exists excess Cash Collateral;

*provided* , *however* , (x) that Cash Collateral furnished by, or on behalf of, a Credit Party shall not be released during the continuance of a Default or Event of Default (and, following application as provided in this Section 2.15 , may be otherwise applied in accordance with Section 9.3 ) but shall be released upon the cure, termination or waiver of such Default or Event of Default in accordance with the terms of this Agreement, and (y) the Person providing Cash Collateral and the Issuing Bank or Swingline Lender, as applicable, may agree that Cash Collateral shall not be released, but instead held to support future anticipated Fronting Exposure or other obligations.

Section 2.16 Defaulting Lenders .

(a) Defaulting Lender Adjustments . Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by Applicable Law:

(i) Waivers and Amendments . Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in Section 11.4(a)(iii ).

(ii) Defaulting Lender Waterfall . Any payment of principal, interest, fees or other amount (other than fees which any Defaulting Lender is not entitled to receive pursuant to clause (a)(iii ) below) received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Section 9 or otherwise, and including any amounts made available to the Administrative Agent by that Defaulting Lender pursuant to Section 11.3 ), shall be applied at such time or times as may be determined by the Administrative Agent as follows:

(A) *first* , to the payment of any amounts owing by that Defaulting Lender to the Administrative Agent hereunder;

(B) *second* , to the payment on a *pro rata* basis of any amounts owing by that Defaulting Lender to the Issuing Bank or the Swingline Lender hereunder;

(C) *third* , to Cash Collateralize the Issuing Bank's Fronting Exposure with respect to such Defaulting Lender in accordance with Section 2.15 ;

(D) *fourth*, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which that Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determine d by the Administrative Agent;

(E) *fifth*, if so determined by the Administrative Agent and the Borrower, to be held in a non-interest bearing deposit account and released in order to: (x) satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement; and (y) Cash Collateralize the Issuing Bank's future Fronting Exposure with respect to such Defaulting Lender with respect to future Letters of Credit issued under this Agreement, in accordance with Section 2.15;

(F) *sixth*, to the payment of any amounts owing to the Lenders, the Issuing Bank or the Swingline Lender as a result of any judgment of a court of competent jurisdiction obtained by any Lender, the Issuing Bank or the Swingline Lender against that Defaulting Lender as a result of that Defaulting Lender's breach of its obligations under this Agreement;

(G) *seventh*, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against that Defaulting Lender as a result of that Defaulting Lender's breach of its obligations under this Agreement; and

(H) *eighth*, to that Defaulting Lender or as otherwise directed by a court of competent jurisdiction;

*provided* that, if (x) such payment is a payment of the principal amount of any Loans or Letter of Credit Borrowings in respect of which that Defaulting Lender has not fully funded its appropriate share, and (y) such Loans or Letter of Credit Borrowings were made at a time when the conditions set forth in Section 5.2 were satisfied or waived, such payment shall be applied *solely* to the pay the Loans of, and Letter of Credit Borrowings owed to, all Non-Defaulting Lenders on a *pro rata* basis, prior to being applied to the payment of any Loans of, or Letter of Credit Borrowings owed to, such Defaulting Lender, until such time as all Loans and funded and unfunded participations in Letter of Credit Obligations and Swingline Loans are held by the Lenders *pro rata* in accordance with their Revolving Commitments without giving effect to clause (a)(iv) below. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post Cash Collateral pursuant to this clause (a)(ii) shall be deemed paid to (and the underlying obligations satisfied to the extent of such payment) and redirected by that Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) Certain Fees.

(A) Such Defaulting Lender shall not be entitled to receive any Commitment Fee, any fees with respect to Letters of Credit (except as provided in clause (b) below) or any other fees hereunder for any period during which that Lender is a Defaulting Lender (and the Borrower shall not be required to pay any such fee that otherwise would have been required to have been paid to that Defaulting Lender).

(B) Each Defaulting Lender shall be entitled to receive Letter of Credit Fees for any period during which that Lender is a Defaulting Lender only to the extent allocable to its Revolving Commitment Percentage of the stated amount of Letters of Credit for which it has provided Cash Collateral pursuant to Section 2.15.

(C) With respect to any fee not required to be paid to any Defaulting Lender pursuant to clause (A) or (B) above, the Borrower shall:

(I) pay to each Non-Defaulting Lender that portion of any such fee otherwise payable to such Defaulting Lender with respect to such Defaulting Lender's participation in Letter of Credit Obligations or Swingline Loans that has been reallocated to such Non-Defaulting Lender pursuant to clause (iv) below;

(II) pay to the Issuing Bank and Swingline Lender, as applicable, the amount of any such fee otherwise payable to such Defaulting Lender to the extent allocable to the Issuing Bank's or Swingline Lender's Fronting Exposure to such Defaulting Lender; and

(III) not be required to pay the remaining amount of any such fee.

(iv) Reallocation of Participations to Reduce Fronting Exposure. All, or any part, of such Defaulting Lender's participation in Letter of Credit Obligations and Swingline Loans shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Revolving Commitment Percentages (calculated without regard to such Defaulting Lender's Revolving Commitment), but only to the extent that: (x) the conditions set forth in Section 5.2 are satisfied at the time of such reallocation (and, unless the Borrower shall have otherwise notified the Administrative Agent at such time, the Borrower shall be deemed to have represented and warranted that such conditions are satisfied at such time); and (y) such reallocation does not cause the aggregate Revolving Credit Exposure at such time to exceed such Non-Defaulting Lender's Revolving Commitment. No reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender's increased exposure following such reallocation.

(v) Cash Collateral, Repayment of Swingline Loans. If the reallocation described in clause (iv) above cannot, or can only partially, be effected, the Borrower shall, without prejudice to any right or remedy available to it hereunder or under law:

(A) *first*, prepay Swingline Loans in an amount equal to the Swingline Lender's Fronting Exposure; and

(B) *second*, Cash Collateralize the Issuing Bank's Fronting Exposure in accordance with the procedures set forth in Section 2.15.

(b) Defaulting Lender Cure. If the Borrower, the Administrative Agent and the Swingline Lender and the Issuing Bank agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon, as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any Cash Collateral), that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans and funded and unfunded participations in Letters of Credit and Swingline Loans to be held *pro rata* by the Lenders in accordance with the Revolving Commitments (without giving effect to clause (a)(iv) above), whereupon such Lender will cease to be a Defaulting Lender; *provided* that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and *provided*, *further*, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

(c) New Swingline Loans / Letters of Credit. So long as any Lender is a Defaulting Lender:

(i) the Swingline Lender shall not be required to fund Swingline Loans unless it is satisfied that it will have no Fronting Exposure after giving effect t o such Swingline Loan; and

(ii) the Issuing Bank shall not be required to issue, extend, renew or increase any Letter of Credit unless it is satisfied that it will have no Fronting Exposure after giving effect thereto.

Section 2.17 Removal or Replacement of Lenders . If:

(A) any Lender requests compensation under Section 3.2 ;

(B) any Credit Party is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.3 ;

(C) any Lender gives notice of an inability to fund LIBOR Loans under Section 3.1(b );

(D) any Lender is a Defaulting Lender; or

(E) any Lender (a " Non-Consenting Lender ") does not consent (including by way of a failure to respond in writing to a proposed amendment, consent or waiver by the date and time specified by the Administrative Agent) to a proposed amendment, consent, change, waiver, discharge or termination hereunder or with respect to any Credit Document that has been approved by the Required Lenders;

then, the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate without recourse (in accordance with, and subject to, the restrictions contained in, and consents required by, Section 11.5 ), all of its interests, rights (other than its rights under Section 3.2 , 3.3 and 11.2 ) and obligations under this Agreement and the related Credit Documents to an Eligible Assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), *provided* that:

(i) the Borrower shall have paid to the Administrative Agent the assignment fee specified in Section 11.5(b)(iv );

(ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in Letter of Credit Borrowings, as applicable, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Credit Documents (including any amounts under Section 3.1(c )) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

(iii) in the case of any such assignment resulting from a claim for compensation under Section 3.2 or payments required to be made pursuant to Section 3.3 , such assignment is reasonably expected to result in a reduction in such compensation or payments thereafter;

(iv) such assignment does not conflict with Applicable Laws; and

(v) in the case of any such assignment resulting from a Non-Consenting Lender's failure to consent to a proposed amendment, consent, change, waiver, discharge or termination, the successor replacement Lender shall have consented to the proposed amendment, consent, change, waiver, discharge or termination.

Each Lender agrees that in the event it, or its interests in the Loans and obligations hereunder, shall become subject to the replacement and removal provisions of this Section, it will cooperate with the Borrower and the Administrative Agent to give effect to the provisions hereof, including execution and delivery of an

Assignment Agreement in connection therewith, but the replacement and removal provisions of this Section shall be effective regardless of whether an Assignment Agreement shall have been given.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

## Article 3

## YIELD PROTECTION

Section 3.1 Making or Maintaining LIBOR Loans .

(a) Inability to Determine Applicable Interest Rate . In the event that:

(A) the Administrative Agent shall have determined (which determination shall be final and conclusive and binding upon all parties hereto), on any Interest Rate Determination Date or any Index Rate Determination Date with respect to any LIBOR Loans, that reasonable and adequate means do not exist for ascertaining the interest rate applicable to such LIBOR Loans on the basis provided for in the definition of Adjusted LIBOR Rate or LIBOR Index Rate, as applicable; or

(B) the LIBOR Scheduled Unavailability Date has occurred;

then the Administrative Agent shall give notice (by telefacsimile or by telephone confirmed in writing) to the Borrower and each Lender of such determination, whereupon:

(i) no Loans may be made as, or converted to, LIBOR Loans until such time as the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist; and

(ii) any Funding Notice or Conversion/Continuation Notice given by the Borrower with respect to the Loans in respect of which such determination was made shall be deemed to be rescinded by the Borrower, and such Loans shall be automatically made or continued as, or converted to, as applicable, Base Rate Loans, without reference to the LIBOR Index Rate component of the Base Rate.

(b) Illegality or Impracticability of LIBOR Loans . In the event that, on any date, any Lender shall have determined (which determination shall be final and conclusive and binding upon all parties hereto, but shall be made only after consultation with the Borrower and the Administrative Agent) that the making, maintaining or continuation of its LIBOR Loans:

(i) has become unlawful as a result of compliance by such Lender in good faith with any law, treaty, governmental rule, regulation, guideline or order (or would conflict with any such treaty, governmental rule, regulation, guideline or order not having the force of law even though the failure to comply therewith would not be unlawful); or

(ii) has become impracticable, as a result of contingencies occurring after the date hereof which materially and adversely affect the London interbank market or the position of such Lender in that market,

then, and in any such event, such Lender shall be an " Affected Lender " and it shall, on that day, give notice (by telefacsimile or by telephone confirmed in writing) to the Borrower and the Administrative Agent of such determination (which notice the Administrative Agent shall promptly transmit to each other Lender). Thereafter:

(A) the obligation of the Affected Lender to make Loans as, or to convert Loans to, LIBOR Loans shall be suspended until such notice shall be withdr awn by the Affected Lender;

(B) to the extent such determination by the Affected Lender relates to a LIBOR Loan then being requested by the Borrower pursuant to a Funding Notice or a Conversion/Continuation Notice, the Affected Lender shall make such Loan as (or continue such Loan as or convert such Loan to, as the case may be) a Base Rate Loan without reference to the LIBOR Index Rate component of the Base Rate;

(C) the Affected Lender's obligation to maintain its outstanding LIBOR Loans (the " Affected Loans ") shall be terminated at the earlier to occur of the expiration of the Interest Period then in effect with respect to the Affected Loans or when required by law; and

(D) the Affected Loans shall automatically convert into Base Rate Loans without reference to the LIBOR Index Rate component of the Base Rate on the date of such termination.

Notwithstanding the foregoing, to the extent a determination by an Affected Lender as described above relates to a LIBOR Loan then being requested by the Borrower pursuant to a Funding Notice or a Conversion/Continuation Notice, the Borrower shall have the option, subject to the provisions of clause (a ) above, to rescind such Funding Notice or Conversion/Continuation Notice as to all Lenders by giving notice (by telefacsimile or by telephone confirmed in writing) to the Administrative Agent of such rescission on the date on which the Affected Lender gives notice of its determination as described above (which notice of rescission the Administrative Agent shall promptly transmit to each other Lender). Except as provided in the immediately preceding sentence, nothing in this clause (b ) shall affect the obligation of any Lender other than an Affected Lender to make or maintain Loans as, or to convert Loans to, LIBOR Loans in accordance with the terms hereof.

(c) Compensation for Breakage or Non-Commencement of Interest Periods . The Borrower shall compensate each Lender, upon written request by such Lender (which request shall set forth the basis for requesting such amounts), for all reasonable out-of-pocket losses, expenses and liabilities (including any interest paid, or calculated to be due and payable, by such Lender to lenders of funds borrowed by it to make or carry its Adjusted LIBOR Rate Loans, and any loss, expense or liability sustained by such Lender in connection with the liquidation or re-employment of such funds, but excluding loss of anticipated profits) which such Lender sustains:

(i) if, for any reason (other than a default by such Lender), a borrowing of any Adjusted LIBOR Rate Loans does not occur on a date specified therefor in a Funding Notice or a telephonic request for borrowing, or a conversion to or continuation of any Adjusted LIBOR Rate Loans does not occur on a date specified therefor in a Conversion/Continuation Notice or a telephonic request for conversion or continuation;

(ii) if any prepayment or other principal payment of, or any conversion of, any of its Adjusted LIBOR Rate Loans occurs on any day other than the last day of an Interest Period applicable to that Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise), including as a result of an assignment in connection with the replacement of a Lender pursuant to Section 2.17 ; or

(iii) if any prepayment of any of its Adjusted LIBOR Rate Loans is not made on any date specified in a notice of prepayment given by the Borrower.

(d) Booking of LIBOR Loans . Any Lender may make, carry or transfer LIBOR Loans at, to, or for the account of any of its branch offices or the office of an Affiliate of such Lender.

(e) Assumptions Concerning Funding of Adjusted LIBOR Rate Loans . Calculation of all amounts payable to a Lender under this Section 3.1 and under Section 3.2 shall be made as though such Lender had actually funded each of its relevant Adjusted LIBOR Rate Loans through the purchase of a LIBOR deposit bearing interest at the rate obtained pursuant to clause (i ) of the definition of " Adjusted LIBOR Rate " in an amount equal to the amount of such Adjusted LIBOR Rate Loans , and having a maturity comparable to the relevant Interest Period , and through the transfer of such LIBOR deposit from an offshore office of such Lender to a domestic office of such Lender in the United States; *provided* , *however* , each Lender may fund each of its Adjusted LIBOR Rate Loans in any manner it sees fit , and the foregoing assumptions shall be utilized only for the purposes of calculating amounts payable under this Section 3.1 and under Section 3.2 .

(f) Certificates for Reimbursement . A certificate of a Lender setting forth in reasonable detail the amount or amounts necessary to compensate such Lender, as specified in clause (c ) above and the circumstances giving rise thereto shall be delivered to the Borrower and shall be conclusive absent manifest error. In the absence of any such manifest error, the Borrower shall pay such Lender or the Issuing Bank, as the case may be, the amount shown as due on any such certificate within ten (10) Business Days after receipt thereof.

(g) Delay in Requests . The Borrower shall not be required to compensate a Lender pursuant to this Section for any such amounts incurred more than six (6) months prior to the date that such Lender delivers to the Borrower the certificate referenced in clause 3.1(f ) above.

(h) LIBOR Replacement Rate . Notwithstanding anything to the contrary contained in this Agreement or any other Credit Document, but without limiting clauses (a ) or ( b ) above, if the Administrative Agent shall have determined (which determination shall be final and conclusive and binding upon all parties hereto), or the Borrower or Required Lenders notify the Administrative Agent (with in the case of the Required Lenders, a copy to the Borrower) that the Borrower or Required Lenders (as applicable) shall have determined (which determination likewise shall be final and conclusive and binding upon all parties hereto), that:

(i) the circumstances described in clause (a)(i ) above have arisen and that such circumstances are unlikely to be temporary;

(ii) the relevant administrator of LIBOR or a Governmental Authority having or purporting to have jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which LIBOR shall no longer be made available, or used for determining interest rates for loans in the applicable currency (such specific date, the " LIBOR Scheduled Unavailability Date "); or

(iii) syndicated credit facilities among national and/or regional banks active in leading and participating in such facilities currently being executed, or that include language similar to that contained in this clause (h ), are being executed or amended (as applicable) to incorporate or adopt a new interest rate to replace LIBOR for determining interest rates for loans in the applicable currency;

then, reasonably promptly after such determination by the Administrative Agent or receipt by the Administrative Agent of such notice, as applicable, the Administrative Agent and the Borrower may amend this Agreement to replace LIBOR with an alternate rate of interest, giving due consideration to any evolving or then existing convention for similar U.S. dollar denominated syndicated credit facilities for such alternative rates of interest (any such proposed rate, a " LIBOR Replacement Rate "), and make such other related changes to this Agreement and the other Credit Documents as may be necessary or appropriate, in the opinion of the Administrative Agent, to effect the provisions of this clause (h ) ( *provided* , that any definition of the LIBOR Replacement Rate shall specify that in no event shall such LIBOR Replacement Rate be less than zero for purposes of this Agreement) and any such amendment shall become effective at 5:00 p.m. (New York time) on the fifth (5 th ) Business Day after the Administrative Agent shall have posted such proposed amendment to all Lenders and the Borrower unless, prior to such time, Lenders comprising the Required Lenders have delivered to the Administrative Agent written notice that such Required Lenders do not accept such amendment. The LIBOR Replacement Rate shall be applied in a manner consistent with market practice; *provided* that, in each case, to the extent such market

practice is not administratively feasible for the Administrative Agent, such LIBOR Replacement Rate shall be applied as otherwise reasonably determined by the Administrative Agent (it being understood that any such modification to application by the Administrative Agent made as so determined shall not require the consent of, or consultation with, any of the Lenders). For the avoidance of doubt, the parties hereto agree that , unless and until a LIBOR Replacement Rate is determined and an amendment to this Credit Agreement is entered into to effect the provisions of this clause (h) , if the circumstances under sub-clauses (h) (i ) and ( h)(ii ) above exist, the provisions of clause (a ) above shall apply.

Section 3.2 Increased Costs .

(a) Increased Costs Generally . If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement reflected in the Adjusted LIBOR Rate or the LIBOR Index Rate) or the Issuing Bank;

(ii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b ) through ( d ) of the definition of "Excluded Taxes", and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender or the Issuing Bank or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender or such other Recipient of making, converting to, continuing or maintaining any Loan or of maintaining its obligation to make any such Loan, or to increase the cost to such Lender, the Issuing Bank or such other Recipient of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender, Issuing Bank or other Recipient hereunder (whether of principal, interest or any other amount) then, upon request of such Lender, Issuing Bank or other Recipient, the Borrower will pay to such Lender, Issuing Bank or other Recipient, as the case may be, such additional amount or amounts as will compensate such Lender, Issuing Bank or other Recipient, as the case may be, for such additional costs incurred or reduction suffered.

(b) Capital and Liquidity Requirements . If any Lender, the Issuing Bank or the Swingline Lender (for purposes hereof, may be referred to collectively as "the Lenders" or a "Lender") determines that any Change in Law affecting such Lender or any lending office of such Lender or such Lender's holding company, if any, regarding capital or liquidity ratios or requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the commitments of such Lender hereunder or the Loans made by, or participations in Letters of Credit and Swingline Loans held by, such Lender, or the Letters of Credit issued by the Issuing Bank, to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender, as the case may be, such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) Certificates for Reimbursement . A certificate of a Lender or the Issuing Bank setting forth in reasonable detail the amount or amounts necessary to compensate such Lender or the Issuing Bank or its holding company, as the case may be, as specified in clauses (a ) or ( b ) above and the circumstances giving rise thereto shall be delivered to the Borrower and shall be conclusive absent manifest error. In the absence of any such

manifest error, the Borrower shall pay such Lender or the Issuing Bank , as the case may be, the amount shown as due on any such certificate within ten (10) Business Days after receipt thereof.

(d) Delay in Requests . Failure or delay on the part of any Lender or the Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation, *provided* that the Borrower shall not be required to compensate a Lender or the Issuing Bank pursuant to this Section for any increased costs incurred or reductions suffered more than six (6) months prior to the date that such Lender or the Issuing Bank, as the case may be, delivers to the Borrower the certificate referenced in clause (c ) above and notifies the Borrower of such Lender's or the Issuing Bank's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six-month period referred to above shall be extended to include the period of retroactive effect thereof).

Section 3.3 Taxes .

(a) Issuing Bank . For purposes of this Section 3.3 , the term " *Lender* " shall include the Issuing Bank and the term " *Applicable Laws* " shall include FATCA.

(b) Payments Free of Taxes; Obligation to Withhold; Payments on Account of Taxes . Any and all payments by, or on account of, any obligation of any Credit Party hereunder or under any other Credit Document shall be made without deduction or withholding for any Taxes, except as required by Applicable Laws. If any Applicable Laws (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with Applicable Laws and, if such Tax is an Indemnified Tax, then the sum payable by the applicable Credit Party shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(c) Payment of Other Taxes by the Credit Parties . The Credit Parties shall timely pay to the relevant Governmental Authority in accordance with Applicable Laws, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(d) Tax Indemnification .

(i) The Credit Parties shall jointly and severally indemnify each Recipient and shall make payment in respect thereof within ten (10) Business Days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of any such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(ii) Each Lender shall severally indemnify the Administrative Agent, within ten (10) Business Days after demand therefor, for:

(A) any Indemnified Taxes attributable to such Lender (but only to the extent that any Credit Party has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Credit Parties to do so);

(B) any Taxes attributable to such Lender's failure to comply with the provisions of Section 11.5(d ) relating to the maintenance of a Participant Register; and

(C) any Excluded Taxes attributable to such Lender;

in each case, that are payable or paid by the Administrative Agent in connection with any Credit Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Credit Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this clause (ii ).

(e) Evidence of Payments . As soon as practicable after any payment of Taxes by any Credit Party to a Governmental Authority pursuant to this Section, such Credit Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of a return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(f) Status of Lenders; Tax Documentation .

(i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Credit Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by Applicable Laws or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in clauses (ii)(A ), ( ii)(B ) and ( ii)(D ) below) shall not be required if, in the Lender's reasonable judgment, such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, in the event that the Borrower is a U.S. Person,

(A) any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), duly completed and executed originals of IRS Form W–9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(I) in the case of a Foreign Lender claiming the benefits of an income tax treaty to whi ch the United States is a party: (x) with respect to payments of interest under any Credit Document, duly completed and executed originals of IRS Form W–8BEN–E (or W–8BEN as applicable) establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty ; and (y) with respect to any other applicable payments under any Credit Document, IRS Form W–8BEN–E (or W–8BEN as applicable) establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(II) duly completed and executed originals of IRS Form W–8ECI;

(III) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 871 or 881(c) of the Internal Revenue Code: (x) a certificate substantially in the form of Exhibit 3.3–1 to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Internal Revenue Code, a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Internal Revenue Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Internal Revenue Code (a " U.S. Tax Compliance Certificate "); and (y) duly completed and executed originals of IRS Form W–8BEN–E (or W–8BEN as applicable); or

(IV) to the extent a Foreign Lender is not the beneficial owner, duly completed and executed originals of IRS Form W–8IMY, accompanied by IRS Form W–8ECI, IRS Form W–8BEN–E (or W–8BEN as applicable), a U.S. Tax Compliance Certificate substantially in the form of Exhibit 3.3–2 or Exhibit 3.3–3 , IRS Form W–9, and/or other certification documents from each beneficial owner, as applicable; *provided* that, if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit 3.3–4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), duly executed originals of any other form prescribed by Applicable Laws as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by Applicable Laws to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Credit Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Internal Revenue Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by Applicable Laws (including as prescribed by Section 1471(b)(3)(C)(i) of the Internal Revenue Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the

amount to deduct and withhold from such payment. Solely for purposes of this clause (D) , "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

Each Lender agrees that, if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(g) Treatment of Certain Refunds . Unless required by Applicable Laws, at no time shall the Administrative Agent have any obligation to file for or otherwise pursue on behalf of a Lender, or have any obligation to pay to any Lender, any refund of Taxes withheld or deducted from funds paid for the account of such Lender. If any indemnified party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 3.3 (including by the payment of additional amounts pursuant to this Section 3.3 ), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 3.3 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of the indemnified party, shall repay to such indemnified party the amount paid over pursuant to this clause (g ) ( *plus* any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this clause (g ), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this clause (g ) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification, and giving rise to such refund, had not been deducted, withheld or otherwise imposed, and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(h) Survival . Each party's obligations under this Section 3.3 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Credit Document.

Section 3.4 Mitigation Obligations; Designation of a Different Lending Office . If any Lender requests compensation under Section 3.2, or requires the Borrower to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.3, then such Lender shall (at the request of the Borrower) use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment: (i) would eliminate or reduce amounts payable pursuant to Section 3.2 or 3.3, as the case may be, in the future; and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender . The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

## Article 4

## GUARANTY

Section 4.1 The Guaranty .

Each of the Guarantors hereby jointly and severally guarantees to the Administrative Agent, the Lenders, the Qualifying Swap Providers, the Qualifying Treasury Management Banks and the other holders of

the Obligations as hereinafter provided, as primary obligor and not as surety, the prompt payment of the Obligations ( the " Guaranteed Obligations ") in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration, as a mandatory Cash Collateralization or otherwise) strictly in acc ordance with the terms thereof. The Guarantors hereby further agree that , if any of the Obligations are not paid in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration, as a mandatory Cash Collateralization or otherwise), the Guarantors will, jointly and severally, promptly pay the same, without any demand or notice whatsoever, and that , in the case of any extension of time of payment or renewal of any of the Obligations, the same will be promptly paid in full when due (whether at extended maturity, as a mandatory prepayment, by acceleration, as a mandatory Cash Collateralization or otherwise) in accordance with the terms of such extension or renewal.

Notwithstanding any provision to the contrary contained herein, in any other of the Credit Documents, Swap Agreements, Treasury Management Agreements or other documents relating to the Obligations:

(a) the obligations of each Guarantor under this Agreement and the other Credit Documents shall be limited to an aggregate amount equal to the largest amount that would not render such obligations subject to avoidance under the Debtor Relief Laws or any comparable provisions of any applicable state law; and

(b) the Guaranteed Obligations of a Guarantor shall exclude any Excluded Swap Obligations with respect to such Guarantor.

Section 4.2 Obligations Unconditional .

The obligations of the Guarantors under Section 4.1 are joint and several, absolute and unconditional, irrespective of the value, genuineness, validity, regularity or enforceability of any of the Credit Documents, Swap Agreements or Treasury Management Agreements, or any other agreement or instrument referred to therein, or any substitution, release, impairment or exchange of any other guarantee of or security for any of the Obligations, and, to the fullest extent permitted by Applicable Laws, irrespective of any law or regulation or other circumstance whatsoever which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this Section 4.2 that the obligations of the Guarantors hereunder shall be absolute and unconditional under any and all circumstances. Each Guarantor agrees that such Guarantor shall have no right of subrogation, indemnity, reimbursement or contribution against the Borrower or any other Guarantor for amounts paid under this Section 4 until such time as the Obligations have been paid in full and the Commitments have expired or terminated. Without limiting the generality of the foregoing, it is agreed that, to the fullest extent permitted by law, the occurrence of any one or more of the following shall not alter or impair the liability of any Guarantor hereunder, which shall remain absolute and unconditional as described above:

(i) at any time or from time to time, without notice to any Guarantor, the time for any performance of or compliance with any of the Obligations shall be extended, or such performance or compliance shall be waived;

(ii) any of the acts mentioned in any of the provisions of any of the Credit Documents, any Secured Swap Agreement between any Credit Party or any Subsidiary of a Credit Party and any Qualifying Swap Provider, or any Secured Treasury Management Agreement between any Credit Party or any Subsidiary of a Credit Party and any Qualifying Treasury Management Bank, or any other agreement or instrument referred to in the Credit Documents, such Secured Swap Agreements or such Secured Treasury Management Agreements shall be done or omitted;

(iii) the maturity of any of the Obligations shall be accelerated, or any of the Obligations shall be modified, supplemented or amended in any respect, or any right under any of the Credit Documents, any Secured Swap Agreement between any Credit Party or any Subsidiary of a Credit Party and any Qualifying Swap Provider or any Secured Treasury Management Agreement between any Credit Party or any Subsidiary of a Credit Party and any Qualifying Treasury Management Bank, or any

other agreement or instrument referred to in the Credit Documents, such Secured Swap Agreements or such Secured Treasury Management Agreements shall be waived or any other guarantee of any of the Obligations or any security therefor shall be released, impaired or exchanged in whole or in part or otherwise dealt with;

(iv) any Lien granted to, or in favor of, the Administrative Agent or any Lender or Lenders as security for any of the Obligations shall fail to attach or be perfected; or

(v) any of the Obligations shall be determined to be void or voidable (including, without limitation, for the benefit of any creditor of any Guarantor) or shall be subordinated to the claims of any Person (including, without limitation, any creditor of any Guarantor).

With respect to its obligations hereunder, each Guarantor hereby expressly waives diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that the Administrative Agent or any Lender exhaust any right, power or remedy or proceed against any Person under any of the Credit Documents, any Secured Swap Agreement between any Credit Party or any Subsidiary of a Credit Party and any Qualifying Swap Provider or any Secured Treasury Management Agreement between any Credit Party or any Subsidiary of a Credit Party and any Qualifying Treasury Management Bank, or any other agreement or instrument referred to in the Credit Documents, such Secured Swap Agreements or such Secured Treasury Management Agreements, or against any other Person under any other guarantee of, or security for, any of the Obligations.

Section 4.3 Reinstatement .

The obligations of the Guarantors under this Section 4 shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of any Person in respect of the Obligations is rescinded or must be otherwise restored by any holder of any of the Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and each Guarantor agrees that it will indemnify the Administrative Agent and each Lender on demand for all reasonable costs and expenses (including, without limitation, the fees, charges and disbursements of counsel) incurred by the Administrative Agent or such Lender in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

Section 4.4 Certain Additional Waivers .

Each Guarantor agrees that such Guarantor shall have no right of recourse to security for the Obligations, except through the exercise of rights of subrogation pursuant to Section 4.2 and through the exercise of rights of contribution pursuant to Section 4.6 .

Section 4.5 Remedies .

The Guarantors agree that, to the fullest extent permitted by law, as between the Guarantors, on the one hand, and the Administrative Agent and the Lenders, on the other hand, the Obligations may be declared to be forthwith due and payable as provided in Section 9.2 (and shall be deemed to have become automatically due and payable in the circumstances provided in said Section 9.2 ) for purposes of Section 4.1 notwithstanding any stay, injunction or other prohibition preventing such declaration (or preventing the Obligations from becoming automatically due and payable) as against any other Person and that, in the event of such declaration (or the Obligations being deemed to have become automatically due and payable), the Obligations (whether or not due and payable by any other Person) shall forthwith become due and payable by the Guarantors for purposes of Section 4.1 . The Guarantors acknowledge and agree that their obligations hereunder are secured in accordance with the terms of the Collateral Documents and that the Lenders may exercise their remedies thereunder in accordance with the terms thereof.

Section 4.6 Rights of Contribution .

The Guarantors agree among themselves that, in connection with payments made hereunder, each Guarantor shall have contribution rights against the other Guarantors as permitted under Applicable Laws. Such contribution rights shall be subordinate and subject in right of payment to the obligations of such Guarantors under the Credit Documents and no Guarantor shall exercise such rights of contribution until all Obligations have been paid in full and the Commitments have terminated.

Section 4.7 Guarantee of Payment; Continuing Guarantee .

The guarantee in this Article 4 is a guaranty of payment and not of collection, is a continuing guarantee, and shall apply to all Obligations whenever arising.

Section 4.8 Keepwell .

Each Qualified ECP Guarantor hereby jointly and severally absolutely, unconditionally and irrevocably undertakes to provide such funds or other support as may be needed from time to time by each Specified Credit Party to honor all of such Specified Credit Party's obligations under the Guaranty and the Collateral Documents in respect of Swap Obligations (provided, however, that each Qualified ECP Guarantor shall only be liable under this Section 4.8 for the maximum amount of such liability that can be hereby incurred without rendering such Qualified ECP Guarantor's obligations and undertakings under this Article 4 , voidable under applicable Debtor Relief Laws, and not for any greater amount). The obligations and undertakings of each Qualified ECP Guarantor under this Section 4.8 shall remain in full force and effect until the Guaranteed Obligations have been indefeasibly paid and performed in full and the commitments relating thereto have expired or terminated, or, with respect to any Guarantor, if earlier, such Guarantor is released from its Guaranteed Obligations in accordance with Section 10.10(a ). Each Qualified ECP Guarantor intends that this Section 4.8 constitute, and this Section 4.8 shall be deemed to constitute, a "keepwell, support, or other agreement" for the benefit of each Specified Credit Party for all purposes of section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

## Article 5

## CONDITIONS PRECEDENT

Section 5.1 Conditions Precedent to Initial Credit Extensions . The obligation of each Lender to make a Credit Extension on the Closing Date is subject to the satisfaction of the following conditions on or before the Closing Date:

(a) Executed Credit Documents . Receipt by the Administrative Agent of executed counterparts of this Agreement and the other Credit Documents, in each case, in form and substance reasonably satisfactory to the Administrative Agent and the Lenders and duly executed by the appropriate parties thereto.

(b) Organizational Documents . Receipt by the Administrative Agent of the following:

(i) Charter Documents . Copies of articles of incorporation, certificate of organization or formation, or other like document for each of the Credit Parties certified as of a recent date by the appropriate Governmental Authority.

(ii) Organizational Documents Certificate .

(A) Copies of bylaws, operating agreement, partnership agreement or like document;

(B) copies of resolutions approving the transactions contemplated in connection with the financing and authorizing execution and delivery of the Credit Documents; and

(C) incumbency certificates, for each of the Credit Parties, in each case , certified by an Authorized Officer in form and substance reasonably satisfactory to the Administrative Agent.

(iii) Good Standing Certificate . Copies of certificates of good standing, existence or the like of a recent date for each of the Credit Parties from the appropriate Governmental Authority of its jurisdiction of formation or organization.

(c) Closing Certificate . Receipt by the Administrative Agent of a certificate from an Authorized Officer of the Borrower, in form and substance reasonably satisfactory to the Administrative Agent and the Required Lenders, confirming, among other things:

(i) all consents, approvals, authorizations, registrations, or filings required to be made or obtained by the Borrower and the other Credit Parties, if any, in connection with this Agreement and the other Credit Documents and the transactions contemplated herein and therein have been obtained and are in full force and effect, and all waiting periods with respect thereto shall have expired;

(ii) no investigation or inquiry by any Governmental Authority regarding this Agreement and the other Credit Documents and the transactions contemplated herein and therein is ongoing;

(iii) since the date of the most-recent annual audited financial statements for the Borrower, there has been no event or circumstance which could be reasonably expected to have a Material Adverse Effect;

(iv) the most-recent annual audited financial statements were prepared in accordance with GAAP consistently applied, except as noted therein, and fairly present in all material respects the financial condition and results from operations of the Credit Parties and their Subsidiaries;

(v) the Borrower, individually, and the Borrower and its Subsidiaries, taken as a whole, are Solvent after giving effect to the transactions contemplated hereby and the incurrence of Indebtedness related thereto; and

(vi) the conditions set forth in clauses (c ) and ( d ) of Sections 5.2 have been met as of the Closing Date.

(d) Opinions of Counsel . Receipt by the Administrative Agent of customary opinions of counsel for each of the Credit Parties, including, among other things, opinions regarding the due authorization, execution and delivery of the Credit Documents and the enforceability thereof.

(e) Personal Property Collateral . Receipt by the Collateral Agent of the following:

(i) UCC Financing Statements . Such UCC financing statements necessary or appropriate to perfect the security interests in the personal property collateral, as determined by the Collateral Agent.

(ii) Intellectual Property Filings . Such patent, trademark and copyright notices, filings and recordations necessary or appropriate to perfect the security interests in intellectual property and intellectual property rights, as determined by the Collateral Agent.

(iii) Pledged Equity Interests . Original certificates evidencing any certificated Equity Interests pledged as collateral, together with undated stock transfer powers executed in blank.

(iv) Evidence of Insurance . Certificates of insurance for casualty, liability and any other insurance required by the Credit Documents, identifying the Collateral Agent as lender’s loss payee

with respect to the casualty insurance and additional insured with respect to the liability insurance, as appropriate.

(f) Financial Statements . Receipt and satisfactory review by the Administrative Agent of copies of:

(i) the internally-prepared quarterly unaudited consolidated financial statements of the Credit Parties and their Subsidiaries for (A) the Fiscal Quarter ending June 30, 2018, and (B) to the extent available prior to the Closing Date, the Fiscal Quarter ending September 30, 2018; and

(ii) the audited consolidated financial statements for the Credit Parties and their Subsidiaries for the Fiscal Year ending December 31, 2017.

(g) Funding Notice; Funds Disbursement Instructions . The Administrative Agent shall have received:

(i) a duly executed Funding Notice with respect to the Credit Extension to occur on the Closing Date; and

(ii) duly executed disbursement instructions (with wiring instructions and account information) for all disbursements to be made on the Closing Date.

(h) Florida Taxes . The Administrative Agent shall have received either: (i) execution and delivery affidavits evidencing execution and delivery of this Agreement and the Notes outside of the State of Florida; or (ii) evidence that all applicable Florida stamp tax fees have been paid or will be paid contemporaneously with closing of the transactions contemplated hereby.

(i) Refinancing of Existing Indebtedness . Receipt by the Administrative Agent of evidence of the payment in full of existing Indebtedness (other than (x) Indebtedness permitted hereunder and (y) the Senior Secured Notes), and any releases, terminations or other documents reasonably required by the Administrative Agent to evidence the payoff of such Indebtedness and release or termination of liens related thereto.

(j) Fees and Expenses . The Administrative Agent shall have confirmation that all reasonable out-of-pocket fees and expenses (and all filing and recording fees and taxes) required to be paid on or before the Closing Date have been paid, including the reasonable out-of-pocket fees and expenses of counsel for the Administrative Agent.

(k) Patriot Act; Anti-Money Laundering Laws . The provision by the Credit Parties of all documentation and other information that the Administrative Agent or any Lender requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the Patriot Act, including without limitation the certification regarding beneficial ownership of legal entity customers (the " Beneficial Ownership Certification ").

For purposes of determining compliance with the conditions specified in this Section 5.1 , each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

The funding of the initial Loans hereunder on the Closing Date shall evidence the satisfaction of the foregoing conditions.

Section 5.2 Conditions to Each Credit Extension . The obligation of each Lender to fund its Term Loan Commitment Percentage or Revolving Commitment Percentage of any Credit Extension on any

Credit Date, including the Closing Date, are subject to the satisfaction, or waiver in accordance with Section 11 .4 , of the following conditions precedent:

(a) the Administrative Agent shall have received a fully executed and delivered Funding Notice, together with the documentation and certifications required therein with respect to each Credit Extension;

(b) after making the Credit Extension requested on such Credit Date:

(i) the Total Revolving Outstandings shall not exceed the Aggregate Revolving Commitments then in effect; and

(ii) the aggregate outstanding principal amount of the Term Loans shall not exceed the respective Term Loan Commitments then in effect;

(c) as of such Credit Date, the representations and warranties contained herein and in the other Credit Documents shall be true and correct in all material respects on and as of that Credit Date, to the same extent as though made on and as of that date, except, to the extent such representations and warranties specifically relate to an earlier date, in which case, such representations and warranties shall have been true and correct in all material respects on and as of such earlier date;

(d) after giving effect to the requested Credit Extension on a Pro Forma Basis, the Credit Parties shall be in compliance with the financial covenants set forth in Section 8.8 ; and

(e) as of such Credit Date, no event shall have occurred and be continuing, or would result from the consummation of the applicable Credit Extension, that would constitute an Event of Default or a Default.

The Administrative Agent and the Required Lenders shall be entitled, but not obligated, to request and receive, prior to the making of any Credit Extension, additional information reasonably satisfactory to the requesting party confirming the satisfaction of any of the foregoing if, in the reasonable good faith judgment of such Agent or Required Lenders, such request is warranted under the circumstances.

## Article 6

## REPRESENTATIONS AND WARRANTIES

In order to induce the Agents and the Lenders to enter into this Agreement and to make each Credit Extension to be made thereby, the Borrower and each other Credit Party represents and warrants to the Administrative Agent and each Lender as follows:

Section 6.1 Organization; Requisite Power and Authority; Qualification . Each Credit Party and its Subsidiaries:

(a) is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization as identified in Schedule 6.1 ;

(b) has all requisite power and authority to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, to enter into the Credit Documents to which it is a party and to carry out the transactions contemplated thereby; and

(c) is qualified to do business and in good standing in every jurisdiction where necessary to carry out its business and operations, except in jurisdictions where the failure to be so qualified or in good standing has not had, and could not be reasonably expected to have, a Material Adverse Effect.

Section 6.2 Equity Interests and Ownership. Schedule 6.2 correctly sets forth the ownership interest of each Credit Party in its Subsidiaries as of the Closing Date. The Equity Interests of each Credit Party and its Subsidiaries have been duly authorized and validly issued and is fully paid and non -assessable. Except as set forth on Schedule 6.2 , as of the Closing Date, there is no existing option, warrant, call, right, commitment, buy-sell, voting trust or other shareholder agreement or other agreement to which any Subsidiary is a party requiring, and there is no membership interest or other Equity Interests of any Subsidiary outstanding which upon conversion or exchange would require, the issuance by any Subsidiary of any additional membership interests or other Equity Interests of any Subsidiary or other Securities convertible into, exchangeable for or evidencing the right to subscribe for or purchase, a membership interest or other Equity Interests of any Subsidiary .

Section 6.3 Due Authorization. The execution, delivery and performance of the Credit Documents have been duly authorized by all necessary action on the part of each Credit Party that is a party thereto .

Section 6.4 No Conflict. The execution, delivery and performance by Credit Parties of the Credit Documents to which they are parties, and the consummation of the transactions contemplated by the Credit Documents, do not and will not:

(a) violate, in any material respect, any provision of any Applicable Laws relating to any Credit Party, any of the Organizational Documents of any Credit Party, or any order, judgment or decree of any court or other agency of government binding on any Credit Party;

(b) except as could not reasonably be expected to have a Material Adverse Effect, conflict with, result in a breach of or constitute (with due notice or lapse of time or both), a default under any other Contractual Obligations of any Credit Party;

(c) result in, or require the creation or imposition of, any Lien upon any of the properties or assets of any Credit Party (other than any Liens created under any of the Credit Documents in favor of the Collateral Agent for the benefit of the holders of the Obligations), whether now owned or hereafter acquired; or

(d) require any approval of stockholders, members or partners or any approval or consent of any Person under any Contractual Obligation of any Credit Party.

Section 6.5 Governmental Consents. The execution, delivery and performance by the Credit Parties of the Credit Documents to which they are parties and the consummation of the transactions contemplated by the Credit Documents do not and will not require, as a condition to the effectiveness thereof, any registration with, consent or approval of, or notice to, or other action to, with or by, any Governmental Authority except for filings and recordings with respect to the Collateral to be made, or otherwise delivered to the Collateral Agent for filing and/or recordation, as of the Closing Date and other filings, recordings or consents which have been obtained or made, as applicable .

Section 6.6 Binding Obligation. Each Credit Document has been duly executed and delivered by each Credit Party that is a party thereto and is the legally valid and binding obligation of such Credit Party, enforceable against such Credit Party in accordance with its respective terms, except as may be limited by Debtor Relief Laws or by equitable principles relating to enforceability .

Section 6.7 Financial Statements .

(a) The audited consolidated and consolidating balance sheet of the Borrower and its Subsidiaries for the most recent Fiscal Year ended, and the related consolidated and consolidating statements of income or operations, shareholders' equity and cash flows for such Fiscal Year, and the summaries/schedules prepared by management of the Borrower with respect to the Regulated Subsidiaries and the other Subsidiaries of the Borrower, including the notes thereto:

(i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwis e expressly noted therein;

(ii) fairly present in all material respects the financial condition of the Borrower and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; and

(iii) show all material indebtedness and other liabilities, direct or contingent, of the Borrower and its Subsidiaries as of the date thereof, including liabilities for taxes, material commitments and Indebtedness.

(b) The unaudited consolidated and consolidating balance sheet of the Borrower and its Subsidiaries for the most recent Fiscal Quarter ended, and the related consolidated and consolidating statements of income or operations, shareholders' equity and cash flows for such Fiscal Quarter, and the summaries/schedules prepared by management of the Borrower with respect to the Regulated Subsidiaries and the other Subsidiaries of the Borrower:

(i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein;

(ii) fairly present in all material respects the financial condition of the Borrower and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby, subject, in the case of clauses (b)(i ) and ( b)(ii ), to the absence of footnotes and to normal year-end audit adjustments; and

(iii) show all material indebtedness and other liabilities, direct or contingent, of the Borrower and its Subsidiaries as of the date of such financial statements, including liabilities for taxes, material commitments and Indebtedness.

(c) The consolidated and consolidating forecasted balance sheet and statements of income and cash flows of the Credit Parties and their Subsidiaries delivered pursuant to Section 7.1(d ) were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair in light of the conditions existing at the time of delivery of such forecasts, and represented, at the time of delivery, the Borrower's good faith estimate of its future financial condition and performance based upon assumptions believed to be reasonable at the time.

Section 6.8 No Material Adverse Effect; No Default .

(a) No Material Adverse Effect . Since December 31, 2017, no event, circumstance or change has occurred that has caused or evidences, either in any case or in the aggregate, a Material Adverse Effect.

(b) No Default . No Default has occurred and is continuing.

Section 6.9 Tax Matters . Each Credit Party and its Subsidiaries have filed all federal, state and other material tax returns and reports required to be filed, and have paid all federal, state and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their respective properties, assets, income, businesses and franchises otherwise due and payable, except those being actively contested in good faith and by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP. There is no proposed tax assessment against any Credit Party or any of its Subsidiaries that would, if made, have a Material Adverse Effect .

Section 6.10 Properties .

(a) Title . Each of the Credit Parti es and its Subsidiaries has:

(i) good, sufficient and legal title to (in the case of fee interests in real property),

(ii) valid leasehold interests in (in the case of leasehold interests in real or personal property), and

(iii) good title to (in the case of all other personal property),

all of their respective properties and assets reflected in their financial statements and other information referred to in Section 6.7 and in the most recent financial statements delivered pursuant to Section 7.1 , in each case, except for assets disposed of since the date of such financial statements as permitted under Section 8.10 . All such properties and assets are free and clear of Liens other than Permitted Liens.

(b) Real Estate . As of the Closing Date, Schedule 6.10(b ) contains a true, accurate and complete list of all Real Estate Assets of the Credit Parties.

(c) Intellectual Property . Each Credit Party and its Subsidiaries owns, or is validly licensed to use, all Intellectual Property that is necessary for the present conduct of its business, free and clear of Liens (other than Permitted Liens), without conflict with the rights of any other Person, unless the failure to own or benefit from such valid license could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. To the knowledge of each Credit Party, no Credit Party nor any of its Subsidiaries is infringing, misappropriating, diluting, or otherwise violating the Intellectual Property rights of any other Person unless such infringement, misappropriation, dilution or violation could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 6.11 Environmental Matters .

(a) No Credit Party, nor any of its Subsidiaries nor any of their respective current Facilities (solely during, and with respect to, such Person's ownership thereof) or operations, and to their knowledge, no former Facilities (solely during, and with respect to, any Credit Party's or its Subsidiary's ownership thereof), are subject to any outstanding order, consent decree or settlement agreement with any Person relating to any Environmental Law, any Environmental Claim, or any Hazardous Materials Activity that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect;

(b) no Credit Party nor any of its Subsidiaries has received any letter or request for information under Section 104 of the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. § 9604) or any comparable state law;

(c) there are and, to each Credit Party's and its Subsidiaries' knowledge, have been, no Hazardous Materials Activities which could reasonably be expected to form the basis of an Environmental Claim against such Credit Party or any of its Subsidiaries that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect; and

(d) no Credit Party nor any of its Subsidiaries has filed any notice under any Environmental Law indicating past or present treatment of Hazardous Materials at any Facility (solely during and with respect to such Credit Party's or its Subsidiary's ownership thereof), and no Credit Party's nor any of its Subsidiaries' operations involves the generation, transportation, treatment, storage or disposal of hazardous waste, as defined under 40 C.F.R. Parts 260–270 or any equivalent state rule defining hazardous waste, except in compliance with Environmental Law.

Compliance with all current requirements pursuant to or under Environmental Laws could not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 6.12 No Defaults . No Credit Party nor any of its Subsidiaries is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any of its Contractual Obligations, except, in each case, where the consequences, direct or indirect, of such default or defaults, if any, could not reasonably be expected to have a Material Adverse Effect .

Section 6.13 No Litigation or other Adverse Proceedings . There are no Adverse Proceedings that: (a) purport to affect or pertain to this Agreement or any other Credit Document, or any of the transactions contemplated hereby; or (b) could reasonably be expected to have a Material Adverse Effect. No Credit Party nor any of its Subsidiaries is subject to, or in default with respect to, any final judgments, writs, injunctions, decrees, rules or regulations of any Governmental Authority that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect .

Section 6.14 Information Regarding the Credit Parties and their Subsidiaries . Set forth on Schedule 6.14 is the jurisdiction of organization, the exact legal name (and for the prior five (5) years or since the date of its formation has been) and the true and correct U.S. taxpayer identification number (or foreign equivalent, if any) of each Credit Party and each of its Subsidiaries as of the Closing Date .

Section 6.15 Governmental Regulation .

(a) No Credit Party or any of its Subsidiaries is subject to regulation under the Investment Company Act of 1940. No Credit Party or any of its Subsidiaries is an "investment company" or a company "controlled" by a "registered investment company" or a "principal underwriter" of a "registered investment company" as such terms are defined in the Investment Company Act of 1940.

(b)

(i) No Credit Party nor any of its Subsidiaries is an "enemy" or an "ally of the enemy" within the meaning of Section 2 of the Trading with the Enemy Act of the United States of America (50 U.S.C. App. §§ 1 *et seq* .), as amended.

(ii) To its knowledge, no Credit Party or any of its Subsidiaries is in violation of: (A) the Trading with the Enemy Act, as amended; (B) any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto; or (C) the Patriot Act.

(iii) No Credit Party or any of its Subsidiaries: (A) is a blocked person described in Section 1 of the Anti-Terrorism Order; or (B) to the best of its knowledge, engages in any dealings or transactions, or is otherwise associated, with any such blocked person.

(c) Each Credit Party, its Subsidiaries and their respective directors, officers and employees and, to the knowledge of such Credit Party, its agents, are in compliance with applicable Sanctions and are not engaged in any activity that would reasonably be expected to result in any Credit Party being designated as a Sanctioned Person. None of the Credit Parties, their Subsidiaries and their respective Affiliates is in violation of any of the country or list based economic and trade sanctions administered and enforced by OFAC that are described or referenced at http://www.ustreas.gov/offices/enforcement/ofac/ or as otherwise published from time to time.

(d)

(i) None of the Credit Parties and their Subsidiaries, or, to the knowledge of each Credit Party or its Subsidiaries, any of their respective directors, officers, employees or Affiliates: (A) is a Sanctioned Person; (B) has any of its assets located in a Sanctioned Country (unless approved by the Lenders) ; or (C) derives any of its operating income from investments in, or transactions with Sanctioned Persons (unless approved by the Lenders) .

(ii) The proceeds of any Credit Extension or other transaction contemplated by this Agreement or any other Credit Document have not been used: (A) in violation of any Sanctions ; ( B ) to fund any operations in, finance any investments or activities in or make any payments to, a Sanctioned Person or a Sanctioned Country ; or ( C ) in any other manner that would result in a violation of Sanctions by any Person (including the Administrative Agent, the Collateral Agent, the Lenders or any other Person participating in the Credit Extensions, whether as an underwriter, advisor, investor or otherwise).

(e) Each of the Credit Parties and their Subsidiaries, and, to the knowledge of each Credit Party and its Subsidiaries, each of their respective directors, officers, employees and Affiliates , is in material compliance with Anti-Corruption Laws . None of the Credit Parties or their respective Subsidiaries has made a payment, offering, or promise to pay, or authorized the payment of, money or anything of value: (i) in order to assist in obtaining or retaining business for or with, or directing business to, any foreign official, foreign political party, party official or candidate for foreign political office; (ii) to a foreign official, foreign political party or party official or any candidate for foreign political office; and (iii) with the intent to induce the recipient to misuse his or her official position to direct business wrongfully to such Credit Party or any of its Subsidiaries or to any other Person, in violation of any Anti-Corruption Law . No part of the proceeds of any Credit Extension or other transaction contemplated by this Agreement or any other Credit Document will violate Anti-Corruption Laws .

(f) To the extent applicable, each Credit Party and its Subsidiaries are in compliance with Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA Patriot Act of 2001) (as amended from time to time, the " Patriot Act ").

(g) No Credit Party or any Subsidiary of a Credit Party is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any Margin Stock. No part of the proceeds of any Credit Extension made to such Credit Party will be used:

(i) to purchase or carry any such Margin Stock, or to extend credit to others for the purpose of purchasing or carrying any such Margin Stock or for any purpose that violates, or is inconsistent with, the provisions of Regulation T, Regulation U or Regulation X of the Board of Governors of the Federal Reserve System as in effect from time to time; or

(ii) to finance or refinance any: (A) commercial paper issued by such Credit Party; or (B) any other Indebtedness, except for Indebtedness that such Credit Party incurred for general corporate or working capital purposes.

(h) No Credit Party is an EEA Financial Institution.

Section 6.16 Employee Matters . No Credit Party or any of its Subsidiaries is engaged in any unfair labor practice that could reasonably be expected to have a Material Adverse Effect . There is:

(i) no unfair labor practice complaint pending against any Credit Party or any of its Subsidiaries, or to the best knowledge of each Credit Party, threatened in writing against any of them before the National Labor Relations Board and no grievance or arbitration proceeding arising out of or under any collective bargaining agreement that is so pending against any Credit Party or any of its Subsidiaries or to the best knowledge of each Credit Party, threatened in writing against any of them,

(ii) no strike or work stoppage in existence or to the knowledge of each Credit Party, threatened in writing that involves any Credit Party or any of its Subsidiaries, and

(iii) to the best knowledge of each Credit Party, no union representation question existing with respect to the employees of any Credit Party or any of its Subsidiaries and, to the best knowledge of each Credit Party, no union organization activity that is taking place,

except (with respect to any matter specified in clause (a) , ( b ) or ( c ) above, either individually or in the aggregate) such as could not reasonably be expected to have a Material Adverse Effect.

Section 6.17 Pension Plans .

(a) Except as could not reasonably be expected to have a Material Adverse Effect, each of the Credit Parties and their Subsidiaries are in compliance with all applicable provisions and requirements of ERISA and the Internal Revenue Code and the regulations and published interpretations thereunder with respect to its Pension Plan, and have performed all their obligations under each Pension Plan in all material respects.

(b) Each Pension Plan which is intended to qualify under Section 401(a) of the Internal Revenue Code has received a favorable determination letter or is the subject of a favorable opinion letter from the Internal Revenue Service indicating that such Pension Plan is so qualified and, to the knowledge of the Credit Parties, nothing has occurred subsequent to the issuance of such determination letter which would cause such Pension Plan to lose its qualified status except where such event could not reasonably be expected to result in a Material Adverse Effect.

(c) Except as could not reasonably be expected to have a Material Adverse Effect, no liability to the PBGC (other than required premium payments), the Internal Revenue Service, any Pension Plan (other than for routine claims and required funding obligations in the ordinary course) or any trust established under Title IV of ERISA has been incurred by any Credit Party, any of its Subsidiaries or any of their ERISA Affiliates.

(d) Except as would not reasonably be expected to result in liability to any Credit Party or any of its Subsidiaries in excess of $1,500,000, no ERISA Event has occurred.

(e) Except to the extent required under Section 4980B of the Internal Revenue Code and Section 601 *et seq* . of ERISA or similar state laws, and except as could not reasonably be expected to have a Material Adverse Effect, no Pension Plan provides health or welfare benefits (through the purchase of insurance or otherwise) for any retired or former employee of any Credit Party or any of its Subsidiaries.

(f) As of the Closing Date, no Credit Party nor any of its Subsidiaries is a Benefit Plan.

Section 6.18 Solvency . The Borrower, individually, and each Credit Party and its Subsidiaries taken as a whole on a consolidated basis are and, upon the incurrence of any Credit Extension on any date on which this representation and warranty is made, will be, Solvent .

Section 6.19 Compliance with Laws . Each Credit Party and its Subsidiaries is in compliance with: (a) the Patriot Act and OFAC rules and regulations, as provided in Section 6.15; and (b) except such non-compliance with such other Applicable Laws that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, all other Applicable Laws. Each Credit Party and its Subsidiaries possesses all certificates, authorities or permits issued by appropriate Governmental Authorities necessary to conduct the business now operated by them and the failure of which to have could reasonably be expected to have a Material Adverse Effect and have not received any notice of proceedings relating to the revocation or modification of any such certificate, authority or permit the failure of which to have or retain could reasonably be expected to have a Material Adverse Effect .

Section 6.20 Disclosure .

(a) No representation or warranty of any Credit Party contained in any Credit Document or in any other documents, certificates or written statements furnished to the Lenders by, or on behalf of, any Credit Party or any of its Subsidiaries for use in connection with the transactions contemplated hereby (other than projections and pro forma financial information contained in such materials) contains any untrue statement of a material fact or omits to state a material fact (known to any Credit Party, in the case of any document not furnished by any of them) necessary in order to make the statements contained herein or therein not misleading in any material

manner in light of the circumstanc es in which the same were made. Any projections and pro forma financial information contained in such materials are based upon good faith estimates and assumptions believed by the Credit Parties to be reasonable at the time made, it being recognized by the Administrative Agent and the Lenders that such projections as to future events are not to be viewed as facts and that actual results during the period or periods covered by any such projections may differ from the projected results and that su ch differences may be material. There are no facts known to any Credit Party (other than matters of a general economic nature) that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect and that have not been disclosed herein or in such other documents, certificates and statements furnished to the Lenders.

(b) As of the Closing Date, the information included in the Beneficial Ownership Certification is true and correct in all respects.

Section 6.21 Insurance. The properties of the Credit Parties and their Subsidiaries are insured with financially sound and licensed insurance companies not Affiliates of such Persons, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the applicable Credit Party or the applicable Subsidiary operates. The insurance coverage of the Credit Parties and their Subsidiaries as in effect on the Closing Date is outlined as to carrier, policy number, expiration date, type, amount and deductibles on Schedule 6.21.

Section 6.22 Pledge and Security Agreement. The Pledge and Security Agreement is effective to create in favor of the Collateral Agent, for the ratable benefit of the holders of the Obligations, a legal, valid and enforceable security interest in the Collateral identified therein, except to the extent the enforceability thereof may be limited by applicable Debtor Relief Laws affecting creditors' rights generally and by equitable principles of law (regardless of whether enforcement is sought in equity or at law), and the Pledge and Security Agreement shall create a fully perfected Lien on, and security interest in, all right, title and interest of the obligors thereunder in such Collateral, in each case prior and superior in right to any other Lien (other than Permitted Liens):

(a) with respect to any such Collateral that is a "security" (as such term is defined in the UCC) and is evidenced by a certificate, when such Collateral is delivered to the Collateral Agent with duly executed stock powers with respect thereto;

(b) with respect to any such Collateral that is a "security" (as such term is defined in the UCC) but is not evidenced by a certificate, when UCC financing statements in appropriate form are filed in the appropriate filing offices in the jurisdiction of organization of the pledgor or when "control" (as such term is defined in the UCC) is established by the Collateral Agent over such interests in accordance with the provision of Section 8–106 of the UCC, or any successor provision; and

(c) with respect to any such Collateral that is not a "security" (as such term is defined in the UCC), when UCC financing statements in appropriate form are filed in the appropriate filing offices in the jurisdiction of organization of the pledgor (to the extent such security interest can be perfected by filing under the UCC).

Section 6.23 Mortgages. Each of the Mortgages is effective to create in favor of the Collateral Agent, for the ratable benefit of the holders of the Obligations, a legal, valid and enforceable security interest in the Real Estate Assets identified therein in conformity with Applicable Laws, except to the extent the enforceability thereof may be limited by applicable Debtor Relief Laws affecting creditors' rights generally and by equitable principles of law (regardless of whether enforcement is sought in equity or at law) and, when the Mortgages and UCC financing statements in appropriate form are duly recorded at the locations identified in the Mortgages, and recording or similar taxes, if any, are paid, the Mortgages shall constitute a legal, valid and enforceable Lien on, and security interest in, all right, title and interest of

the grantors thereunder in such Real Estate Assets, in each case prior and superior in right to any other Lien (other than Permitted Liens) .

Section 6.24 No Casualty. Neither the businesses nor the properties of any Credit Party or any of its Subsidiaries are affected by any fire, explosion, accident, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance) that, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect .

## Article 7

## AFFIRMATIVE COVENANTS

Each Credit Party covenants and agrees that, until the Obligations shall have been paid in full or otherwise satisfied, and the Commitments hereunder shall have expired or been terminated, such Credit Party shall perform, and shall cause each of its Subsidiaries to perform, all covenants in this Article 7 .

Section 7.1 Financial Statements and Other Reports. The Borrower will deliver, or will cause to be delivered, to the Administrative Agent:

(a) Quarterly Financial Statements for the Borrower and its Subsidiaries . Upon the earlier of the date that (x) is sixty (60) days after the end of each Fiscal Quarter of each Fiscal Year or (y) such information is filed with the SEC, the unaudited consolidated and consolidating balance sheets of the Borrower and its Subsidiaries as of the end of such Fiscal Quarter and the related consolidated and consolidating statements of income, stockholders' equity and cash flows of the Borrower and its Subsidiaries for such Fiscal Quarter, and for the period from the beginning of the then current Fiscal Year to the end of such Fiscal Quarter, setting forth, in each case in comparative form, the corresponding figures for the corresponding periods of the previous Fiscal Year, all in reasonable detail and consistent in all material respects with the manner of presentation as of the Closing Date, together with a Financial Officer Certification with respect thereto ;

(b) Annual Financial Statements for the Borrower and its Subsidiaries . Upon the earlier of the date that (x) is one hundred twenty (120) days after the end of each Fiscal Year or (y) such information is filed with the SEC:

(i) the audited consolidated balance sheets, and unaudited consolidating balance sheets, of the Borrower and its Subsidiaries as of the end of such Fiscal Year and the related audited consolidated, and unaudited consolidating, statements of income, stockholders' equity and cash flows of the Borrower and its Subsidiaries for such Fiscal Year, setting forth, in each case in comparative form, the corresponding figures for the previous Fiscal Year, in reasonable detail and consistent in all material respects with the manner of presentation as of the Closing Date, together with a Financial Officer Certification with respect thereto; and

(ii) with respect to such audited consolidated financial statements, a report thereon of Plante & Moran, PLLC or other independent certified public accountants selected by the Borrower and reasonably acceptable to the Administrative Agent, which report shall be unqualified as to going concern and scope of audit (except to the extent any qualification results solely from a current maturity of any Indebtedness under this Agreement), and shall state that such consolidated financial statements fairly present, in all material respects, the consolidated financial position of the Borrower and its Subsidiaries as of the dates indicated, and the results of their operations and their cash flows for the periods indicated, in conformity with GAAP applied on a basis consistent with prior years (except as otherwise disclosed in such financial statements) and that the examination by such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards) ;

(c) Compliance Certificate ; Summaries/ Schedule s . Together with each delivery of the financial statements pursuant to clauses (a ) or ( b ) above: (i) a duly completed Compliance Certificate ; and (ii) summaries/schedules prepared by management of the Borrower , accompanied by a Financial Officer Certification with respect thereto, setting forth: (A) principal and interest payments made by the Borrower and its Subsidiaries (other than Regulated Subsidiaries) with respect to intercompany Indebtedness owing by any Credit Party or Subsidiary (other than a Regulated Subsidiary) to any Regulated Subsidiary ; (B) intercompany Indebtedness owing by any Credit Party or Subsidiary (other than a Regulated Subsidiary) to any Regulated Subsidiary that is eliminated upon consolidation in accordance with GAAP; and (C) with respect to each consolidating financial statement contemporaneously delivered, columns demonstrating such results (i) calculated on a combined basis with respect to the Regulated Subsidiaries only and otherwise prepared in accordance with GAAP, and (ii) calculated on a combined basis with respect to the Borrower and its Subsidiaries but excluding all Regulated Subsidiaries, and otherwise prepared in accordance with GAAP ;

(d) Annual Budget . Within sixty (60) days following the end of each Fiscal Year, forecasts prepared by management of the Borrower, in form reasonably satisfactory to the Administrative Agent and the Required Lenders, of consolidated balance sheets and statements of income or operations and cash flows of the Borrower and its Subsidiaries, as well as of combined balance sheets and statements of income or operations and cash flows of the Borrower and its Subsidiaries but excluding all Regulated Subsidiaries, in each case on a quarterly basis for the immediately following Fiscal Year (including the Fiscal Year(s) in which the Term Loan A Maturity Date, the maturity date of any Term Loan established after the Closing Date and the Revolving Commitment Termination Date occur);

(e) Statutory Accounting Principles Statement . Within forty five (45) days following the end of each of the first three (3) Fiscal Quarters of each Fiscal Year, and within sixty (60) days following the end of each Fiscal Year, statutory accounting principles statements for each Regulated Subsidiary of the Borrower.

(f) Information Regarding Credit Parties . Each Credit Party will furnish to the Collateral Agent prior written notice of any change in such Credit Party's: (i) legal name; (ii) corporate structure; (iii) Federal Taxpayer Identification Number; or (iv) jurisdiction of incorporation, formation or organization, as applicable;

(g) Securities and Exchange Commission Filings . Promptly after the same are filed, copies of all annual, regular, periodic and special reports and registration statements that the Borrower may file, or be required to file, with the SEC under Section 13 or 15(d) of the Exchange Act, *provided* that any documents required to be delivered pursuant to this clause (g ) shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto on the Borrower's website, or (ii) on which such documents are posted on the Borrower's behalf on SyndTrak or other relevant website, if any to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent). Notwithstanding anything to the contrary, as to any information contained in materials furnished pursuant to this clause (g ), the Borrower shall not be separately required to furnish such information under clauses (a ) or ( b ) above, or pursuant to any other requirement of this Agreement or any other Credit Document;

(h) Notice of Default and Material Adverse Effect . Promptly (and in any event within two (2) Business Days) upon any Authorized Officer of any Credit Party obtaining knowledge:

(i) of any condition or event that constitutes a Default or an Event of Default, or that notice has been given to any Credit Party with respect thereto;

(ii) that any Person has given any notice to any Credit Party or any of its Subsidiaries, or taken any other action with respect to any event or condition set forth in Section 9.1(b );

(iii) of the occurrence of any Material Adverse Effect;

(iv) the institution or any Credit Party's receipt of any threat in writing of the institution of any action, suit, investigation or proceeding against or affecting any Credit Party or any Regulated Subsidiary, including any such investigation or proceeding by any Insurance Regulatory Authority or other Governmental Authority (other than routine periodic inquiries, investigations or reviews), that could reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect; or

(v) the receipt by any Credit Party or any Regulated Subsidiary from any Insurance Regulatory Authority or other Governmental Authority of any notice of any actual or threatened suspension, limitation or revocation of, failure to renew, imposition of any restraining order, escrow or impoundment of funds in connection with, or the taking of any other materially adverse action in respect of, any license, permit, accreditation or authorization of any Credit Party or any Regulated Subsidiary, where such action could reasonably be expected to have a Materially Adverse Effect.

a certificate of its Authorized Officers specifying the nature and period of existence of such condition, event or change, or specifying the notice given and action taken by any such Person and the nature of such claimed Event of Default, Default, event or condition or change, and what action the Credit Parties have taken, are taking and propose to take with respect thereto;

(i) ERISA .

(i) Promptly upon becoming aware of the occurrence of, or forthcoming occurrence of, any ERISA Event, a written notice specifying the nature thereof, what action the any Credit Party, any of its Subsidiaries or any of their respective ERISA Affiliates has taken, is taking or proposes to take with respect thereto and, when known, any action taken or threatened by the Internal Revenue Service, the Department of Labor or the PBGC with respect thereto; and

(ii)

(A) promptly upon reasonable request of the Administrative Agent, copies of each Schedule B (Actuarial Information) to the annual report (Form 5500 Series) filed by any Credit Party, any of its Subsidiaries or any of their respective ERISA Affiliates with respect to each Pension Plan; and

(B) promptly after their receipt, copies of all notices received by any Credit Party, any of its Subsidiaries or any of their respective ERISA Affiliates from a Multiemployer Plan sponsor concerning an ERISA Event;

(j) Securities and Exchange Commission Investigations . Promptly and, in any event, within five (5) Business Days after receipt thereof by any Credit Party or any Subsidiary thereof, copies of each notice or other correspondence received from the Securities and Exchange Commission (or comparable agency in any applicable non-U.S. jurisdiction) concerning any investigation or possible investigation or other inquiry by such agency regarding financial or other operational results of any Credit Party, Regulated Subsidiary or any of their respective Subsidiaries;

(k) Asset Sales, Involuntary Dispositions and Debt Transactions . Concurrently with delivery of each Compliance Certificate, notice of:

(i) the occurrence and amount of Net Cash Proceeds of any Asset Sale or Involuntary Disposition (in each case, regardless of whether the Net Cash Proceeds therefrom fall below the threshold amounts set forth in Section 2.11(c)(ii ) and/or have already been, or are anticipated to be, re-invested pursuant to the reinvestment provisions thereof) in excess of $500,000; and

(ii) the occurrence of any Debt Transactions and the amount of Net Cash Proceeds therefrom;

(l) Changes in Accounting or Financial Reporting Practices . Promptly and, in any event, within ten (10) Business Days after implementation thereof, notice of any material change in accounting policies or financial reporting practices of any Credit Party, any Regulated Subsidiary or any of their respective Subsidiaries;

(m) Insurance Filings . Within fifteen (15) Business Days after the required filing date, copies of any annual statement or quarterly statement required to be filed with any Insurance Regulatory Authority by any Credit Party or any of its Subsidiaries (including Regulated Subsidiaries), in each case, in the form filed with such Insurance Regulatory Authority in conformity with the requirements thereof; and

(n) Other Information .

(i) Promptly upon their becoming available, copies of all financial statements, reports, notices and proxy statements sent or made available generally by the Borrower to its security holders acting in such capacity or by any Subsidiary of the Borrower to its security holders, if any, other than the Borrower or another Subsidiary of the Borrower, *provided* that no Credit Party shall be required to deliver to the Administrative Agent or any Lender the minutes of any meeting of its Board of Directors;

(ii) such other information and data with respect to the Borrower or any of its Subsidiaries as from time to time may be reasonably requested by the Administrative Agent or the Required Lenders; and

(iii) prompt written notice of any change to the information set forth in any Beneficial Ownership Certificate that would result in a change to the list of beneficial owners set forth therein.

Each notice pursuant to clauses (i ) and ( j ) above shall be accompanied by a statement of an Authorized Officer of the Borrower (x) setting forth details of the occurrence referred to therein and (y) stating what action the Borrower and/or the other applicable Credit Party has taken and proposes to take with respect thereto. Each notice pursuant to clause (h ) above shall describe with particularity any and all provisions of this Agreement and any other Credit Document that have been breached.

Section 7.2 Existence . Each Credit Party will, and will cause each of its Subsidiaries to, at all times preserve and keep in full force and effect (a) its existence and (b) except to the extent that failure to do so would not reasonably be expected to result in a Material Adverse Effect, all rights and franchises, licenses and permits material to its business, except to the extent permitted by Section 8.10 or not constituting an Asset Sale hereunder .

Section 7.3 Payment of Taxes and Claims . Each Credit Party will, and will cause each of its Subsidiaries to, pay (a) all federal, state and other material taxes imposed upon it or any of its properties or assets or in respect of any of its income, businesses or franchises before any penalty or fine accrues thereon, and (b) all claims (including claims for labor, services, materials and supplies) for sums that have become due and payable and that by law have or may become a Lien upon any of its properties or assets, prior to the time when any penalty or fine shall be incurred with respect thereto; provided, no such tax or claim need be paid if it is being contested in good faith by appropriate proceedings promptly instituted and diligently conducted, so long as (i) adequate reserve or other appropriate provision, as shall be required in conformity with GAAP shall have been made therefor, (ii) in the case of a tax or claim which has or may become a Lien against any of the Collateral, such contest proceedings conclusively operate to stay the sale of any portion of the Collateral to satisfy such tax or claim, and (iii) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect. No Credit Party will, nor will it permit any of its Subsidiaries to, file or consent to the filing of any consolidated income tax return with any Person (other than any the Borrower or any Subsidiary) .

Section 7.4 Maintenance of Properties. Each Credit Party will, and will cause each of its Subsidiaries to, maintain or cause to be maintained in good repair, working order and condition, ordinary wear and tear excepted, all material properties used or useful in the business of any Credit Party and its Subsidiaries and from time to time will make or cause to be made all appropriate repairs, renewals and replacements thereof , except where failure to do so would not materially adversely affect the operations of the business of the Borrower and its Subsidiaries, taken as a whole .

Section 7.5 Insurance. The Credit Parties will maintain or cause to be maintained, with financially sound and licensed insurers, property insurance, such public liability insurance, third party property damage insurance with respect to liabilities, losses or damage in respect of the assets, properties and businesses of the each Credit Party and its Subsidiaries as may customarily be carried or maintained under similar circumstances by Persons of established reputation engaged in similar businesses, in each case in such amounts, with such deductibles, covering such risks and otherwise on such terms and conditions as shall be customary for such Persons. Without limiting the generality of the foregoing, each Credit Party and its Subsidiaries will maintain, or cause to be maintained: (a) flood insurance with respect to each Flood Hazard Property, if any, that is located in a community that participates in the National Flood Insurance Program, in each case, in compliance with any applicable regulations of the Board of Governors of the Federal Reserve System; and (b) replacement value casualty insurance on the Collateral under such policies of insurance, with such insurance companies, in such amounts, with such deductibles, and covering such risks as are at all times carried or maintained under similar circumstances by Persons of established reputation engaged in similar businesses. Each such policy of insurance shall: (i) name the Collateral Agent, on behalf of the holders of the Obligations, as an additional insured thereunder as its interests may appear; and (ii) in the case of each property insurance policy, contain a loss payable clause or endorsement, reasonably satisfactory in form and substance to the Collateral Agent, that names the Collateral Agent, on behalf of the holders of the Obligations, as the loss payee thereunder and provides for at least thirty (30) days' prior written notice (or such shorter prior written notice as may be agreed by the Collateral Agent in its reasonable discretion) to the Collateral Agent of any modification or cancellation of such policy .

Section 7.6 Inspections. Each Credit Party will, and will cause each of its Subsidiaries to, permit representatives and independent contractors of the Administrative Agent (which may include representatives of Lenders) to visit and inspect any of its properties, to conduct field audits, to examine its corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, all at the expense of the Borrower and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Borrower; *provided* , *however* , that (i) when an Event of Default exists the Administrative Agent or any Lender (or any of their respective representatives or independent contractors) may do any of the foregoing at the expense of the Borrower at any time during normal business hours and without advance notice , and (ii) unless an Event of Default has occurred and is continuing, the Borrower shall not be responsible for the expense of any such inspections other than one (1) inspection per Fiscal Year by the Administrative Agent. Notwithstanding anything to the contrary in this Section 7.6 , neither the Borrower nor any Subsidiary will be required to disclose or permit the inspection or discussion of, any document, information or other matter (x) in respect of which disclosure to the Administrative Agent or any Lender (or their representatives) is prohibited by Applicable Law, fiduciary duty or any binding agreement or (y) that is subject to attorney client or similar privilege or constitutes attorney work product.

Section 7.7 Lenders Meetings. The Borrower will, upon the request of the Administrative Agent or the Required Lenders, participate in a meeting of the Administrative Agent and the Lenders once during each Fiscal Year to be held at the Borrower's corporate offices (or at such other location as may be agreed to by the Borrower and the Administrative Agent) at such time as may be agreed to by the Borrower and the Administrative Agent .

Section 7.8 Compliance with Laws and Material Contracts. Each Credit Party will comply, and shall cause each of its Subsidiaries and all other Persons, if any, on or occupying any Facilities to comply, with (a) the Patriot Act and OFAC rules and regulations, (b) except where the failure to do so would not reasonably be expected to have a Material Adverse Effect, (i) all other Applicable Laws, and ( ii ) all Material Contracts and material lease agreements entered into by any Credit Party or any Subsidiary of a Credit Party .

Section 7.9 Use of Proceeds. The Credit Parties will use the proceeds of the Credit Extensions (i) for working capital, capital expenditures and other lawful general corporate purposes, (ii) to refinance existing indebtedness (including the Senior Secured Notes and a portion of the Convertible Notes), and/or (iii) to pay transaction fees, costs and expenses related to credit facilities established pursuant to this Agreement and the other Credit Documents, in each case, not in contravention of Applicable Laws or of any Credit Document .

Section 7.10 Environmental Matters.

(a) Environmental Disclosure. Each Credit Party will deliver to the Administrative Agent and the Lenders with reasonable promptness, such documents and information as from time to time may be reasonably requested by the Administrative Agent or any Lender.

(b) Hazardous Materials Activities, Etc. Each Credit Party shall promptly take, and shall cause each of its Subsidiaries promptly to take, any and all actions necessary to (i) cure any violation of applicable Environmental Laws by such Credit Party or its Subsidiaries that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, and (ii) respond to any Environmental Claim against such Credit Party or any of its Subsidiaries and discharge any obligations it may have to any Person thereunder where failure to do so would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 7.11 Additional Real Estate Assets.

(a) In the event that any Credit Party owns or acquires a Real Estate Asset, then such Credit Party, no later than forty-five (45) days (or such longer period as may be agreed in writing by the Collateral Agent) after acquiring such Real Estate Asset shall take all such actions and execute and deliver, or cause to be executed and delivered, all such Mortgages, documents, instruments, agreements, opinions and certificates similar to those described in clause (b ) immediately below that the Collateral Agent shall reasonably request to create in favor of the Collateral Agent, for the benefit of the holders of the Obligations, a valid and, subject to any filing and/or recording referred to herein, enforceable Lien on, and security interest in such Real Estate Asset. The Administrative Agent may, in its reasonable judgment, grant extensions of time for compliance or exceptions with respect to the provisions of this Section 7.11 by any Credit Party. In addition to the foregoing, the applicable Credit Party shall, at the request of the Required Lenders, deliver, from time to time, to the Administrative Agent such appraisals as are required by law or regulation of Real Estate Assets with respect to which the Collateral Agent has been granted a Lien.

(b) In order to create in favor of the Collateral Agent, for the benefit of the holders of the Obligations, a valid and, subject to any filing and/or recording referred to herein, enforceable Lien on, and security interest in, any Real Estate Asset that is prior and superior in right to any other Lien (other than Permitted Liens), the Administrative Agent and the Collateral Agent (with copies sufficient for each Lender) shall have received from the Borrower with respect to such Real Estate Asset:

(i) fully executed and notarized Mortgages, in proper form for recording in all appropriate places in all applicable jurisdictions, encumbering such Real Estate Asset;

(ii) an opinion of counsel (which counsel shall be reasonably satisfactory to the Collateral Agent) in each state in which such Real Estate Asset is located with respect to the enforceability of the form(s) of Mortgages to be recorded in such state and such other matters as the Collateral Agent may reasonably request, in each case in form and substance reasonably satisfactory to the Collateral Agent;

(iii)

(A) ALTA mortgagee title insurance policies or unconditional commitments therefor issued by one or more title companies reasonably satisfactory to the Collateral Agent (each, a " Title Policy ") with respect to such Real Estate Asset, in amounts not less than the fair market value of such Real Estate Asset, together with a title report issued by a title company with respect thereto and copies of all recorded documents listed as exceptions to title or otherwise referred to therein, each in form and substance reasonably satisfactory to the Collateral Agent; and

(B) evidence reasonably satisfactory to the Collateral Agent that the Borrower has paid to the title company or to the appropriate Governmental Authorities all expenses and premiums of the title company and all other sums required in connection with the issuance of each Title Policy and all recording and stamp taxes (including mortgage recording and intangible taxes) payable in connection with recording the Mortgage for such Real Estate Asset in the appropriate real estate records;

(iv) a recently issued flood zone determination certificate;

(v) evidence of flood insurance with respect to each Flood Hazard Property that is located in a community that participates in the National Flood Insurance Program, in each case in compliance with any applicable regulations of the Board of Governors of the Federal Reserve System, in form and substance reasonably satisfactory to the Collateral Agent;

(vi) if an exception to the Title Policy with respect to any Real Estate Asset subject to a Mortgage would arise without such ALTA surveys, ALTA surveys of such Real Estate Asset; and

(vii) reports and other reasonable information, in form, scope and substance reasonably satisfactory to the Administrative Agent, regarding environmental matters relating to such Real Estate Asset.

Section 7.12 Pledge of Personal Property Assets .

(a) Equity Interests . The Borrower and each other Credit Party shall cause:

(i) one hundred percent (100.0%) of the issued and outstanding Equity Interests of each Domestic Subsidiary (including, without limitation, each Domestic Subsidiary resulting from the division or allocation of any limited liability company that is not a Regulated Subsidiary) ; and

(ii) sixty-five percent (65.0%) (or such greater percentage that (A) could not reasonably be expected to cause the undistributed earnings of such Foreign Subsidiary, as determined for United States federal income tax purposes, to be treated as a deemed dividend to such Foreign Subsidiary's United States parent, and (B) could not reasonably be expected to cause any material adverse tax consequences) of the issued and outstanding Equity Interests entitled to vote (within the meaning of Treas. Reg. Section 1.956–2(c)(2)), and one hundred percent (100.0%) of the issued and outstanding Equity Interests not entitled to vote (within the meaning of Treas. Reg. Section 1.956–2(c)(2)), of each Foreign Subsidiary that is directly owned by any Credit Party or any Domestic Subsidiary;

to be subject , at all times , to a first priority lien (subject to any Permitted Lien) in favor of the Collateral Agent, for the benefit of the Lenders, pursuant to the terms and conditions of the Collateral Documents, together with opinions of counsel and any filings and deliveries or other items reasonably requested by the Collateral Agent necessary in connection therewith (to the extent not delivered on the Closing Date) to perfect the security interests therein, all in form and substance reasonably satisfactory to the Collateral Agent.

(b) Personal Property . The Borrower and each other Credit Party (including any Credit Party resulting from the division or allocation of any limited liability company) shall (i) cause all of its owned and leased personal property (other than Excluded Property) to be subject at all times to first priority (subject to any Permitted Lien), perfected Liens in favor of the Collateral Agent, for the benefit of the holders of the Obligations, to secure the Obligations pursuant to the terms and conditions of the Collateral Documents or, with respect to any such property acquired subsequent to the Closing Date, such other additional security documents as the Collateral Agent shall reasonably request, subject in any case to Permitted Liens, and (ii) deliver such other documentation as the Collateral Agent may reasonably request in connection with the foregoing, including, without limitation, appropriate UCC–1 financing statements, certified resolutions and other organizational and authorizing documents of such Person, opinions of counsel to such Person (which shall cover, among other things, the legality, validity, binding effect and enforceability of the documentation referred to above and the perfection of the Collateral Agent's Liens thereunder) and other items reasonably requested by the Collateral Agent necessary in connection therewith to perfect the security interests therein, all in form, content and scope reasonably satisfactory to the Collateral Agent. Notwithstanding the foregoing, unless requested to do so in writing by the Collateral Agent in its sole discretion, no Credit Party shall be required to enter into any deposit account control agreement or securities account control agreement.

(c) Landlord Consents . Upon the reasonable request of the Collateral Agent, the Credit Parties shall use commercially reasonable efforts to obtain landlord consents with respect to leased locations where corporate records or material amounts of personal property of any of the Credit Parties are maintained, which landlord consents shall be in form and substance reasonably acceptable to the Collateral Agent.

Section 7.13 Books and Records . Each Credit Party will keep proper books of record and account in which full, true and correct in all material respects entries shall be made of all dealings and transactions in relation to its business and activities to the extent necessary to prepare the consolidated financial statements of the Borrower in conformity with GAAP .

Section 7.14 Additional Subsidiaries .

Within forty-five (45) days (or such later date as the Administrative Agent may agree in its sole discretion) after the acquisition or formation of any Subsidiary (including, without limitation, upon the inception of any Subsidiary resulting from the division or allocation of a limited liability company or upon the reinstatement or reincorporation of a formerly dissolved Subsidiary), the Credit Parties shall:

(a) notify the Administrative Agent thereof in writing, together with the:

(i) jurisdiction of formation;

(ii) number of shares of each class of Equity Interests outstanding;

(iii) number and percentage of outstanding shares of each class owned (directly or indirectly) by any Credit Party or any Subsidiary; and

(iv) number and effect, if exercised, of all outstanding options, warrants, rights of conversion or purchase and all other similar rights with respect thereto; and

(b) if such Subsidiary is a Domestic Subsidiary that is not a Regulated Subsidiary, cause such Person to (i) become a Guarantor by executing and delivering to the Administrative Agent a Guarantor Joinder

Agreement or such other documents as the Administrative Agent shall deem appropriate for such purpose, and (ii) deliver to the Administrative Agent documents of the types referred to in clauses (b ) and ( e ) of Sections 5.1 and favorable opinions of counsel to such Person (which shall cover, among other things, the legality, validity, binding effect and enforceability of the documentation referred to in the immediately foregoing clause (i ) ), all in form, content and scope satisfactory to the Administrative Agent.

Section 7.15 Maintenance of Reinsurance . The Credit Parties and their Subsidiaries shall maintain a program of reinsurance at least equal to that (a) required by the applicable Insurance Regulatory Authority of its state of domicile and (b) determined by Demotech, Inc. to be necessary for a company to obtain an "A" rating.

Section 7.16 Post-Closing Matters . Within three (3) Business Days of the Closing Date (or such later date as the Administrative Agent may agree in its sole discretion), the Borrower shall deliver to the Administrative Agent evidence of the payment, redemption or discharge in full of the Senior Secured Notes, together with any releases, terminations or other documents reasonably required by the Administrative Agent to evidence the payoff of such Indebtedness and release or termination of liens related thereto.

## Article 8

## NEGATIVE COVENANTS

Each Credit Party covenants and agrees that, until the Obligations shall have been paid in full or otherwise satisfied, and the Commitments hereunder shall have expired or been terminated, such Credit Party shall perform, and shall cause each of its Subsidiaries to perform, all covenants in this Article 8 .

Section 8.1 Indebtedness . No Credit Party shall, nor shall it permit any of its Subsidiaries to, directly or indirectly, create, incur, assume or guaranty, or otherwise become or remain directly or indirectly liable with respect to any Indebtedness, other than:

(a) the Obligations;

(b) (i) Indebtedness of the Borrower to any other Credit Party and (ii) unsecured Indebtedness owing by any Credit Party or Subsidiary (other than a Regulated Subsidiary) to any Regulated Subsidiary in an aggregate principal amount not to exceed the aggregate principal amount of Indebtedness permitted under clause (i ) below at any time outstanding, *provided* that any Indebtedness incurred pursuant to this clause (b)(ii ) shall be subordinated pursuant to terms reasonably acceptable to the Administrative Agent;

(c) Guarantees with respect to Indebtedness permitted under this Section 8.1 ;

(d) Indebtedness existing on the Closing Date and described in Schedule 8.1 , together with any Permitted Refinancing thereof;

(e) Indebtedness with respect to (x) Capital Leases ( *provided* that any such Indebtedness shall be secured only by the asset subject to such Capital Lease), and (y) purchase money Indebtedness ( *provided* that any such Indebtedness shall be secured only by the asset acquired in connection with the incurrence of such Indebtedness); *provided* , *further* that the *sum of* the aggregate principal amount of any Indebtedness under this clause (e ) at any time outstanding shall not exceed $1,000,000 ;

(f) Indebtedness in respect of any Swap Agreement that is entered into in the ordinary course of business to hedge or mitigate risks to which any Credit Party or any of its Subsidiaries is exposed in the conduct of its business or the management of its liabilities (it being acknowledged by the Borrower that a Swap Agreement entered into for speculative purposes or of a speculative nature is not a Swap Agreement entered into in the ordinary course of business to hedge or mitigate risks);

(g) to the extent constituting Indebtedness, all obligations in connection with each Permitted Acquisition, including, without limitation, Earn Out Obligations;

(h) Indebtedness representing deferred compensation to officers, directors, employees of the Borrower and its Subsidiaries;

(i) Indebtedness of any of the Regulated Subsidiaries owing to the Federal Home Loan Bank; *provided* , that any such Indebtedness incurred in reliance on this clause (j ) is not recourse to any of the Credit Parties; *provided* , *further* , that the aggregate principal amount of any Indebtedness incurred in reliance on this clause (j ) shall not exceed Seventy Five Million Dollars ($75,000,000) at any time outstanding;

(j) Indebtedness under the Convertible Notes and any Permitted Refinancing thereof;

(k) Guarantees by the Borrower of Indebtedness of any Subsidiary (other than any Regulated Subsidiary) and by any Subsidiary (other than any Regulated Subsidiary) of Indebtedness of the Borrower or any other Subsidiary (other than any Regulated Subsidiary); *provided* that Guarantees by any Credit Party of Indebtedness of any Subsidiary (other than any Regulated Subsidiary) that is not a Credit Party shall be subject to compliance with Section 8.6 ;

(l) Indebtedness owed to any Person (including obligations in respect of letters of credit for the benefit of such Person) providing workers' compensation, health, disability or other employee benefits or property, casualty, liability insurance, self-insurance, pursuant to reimbursement or indemnification obligations to such Person or to finance insurance premiums, in each case incurred in the ordinary course of business or consistent with past practice;

(m) Indebtedness in respect of or guarantee of performance bonds, bid bonds, appeal bonds, surety bonds, performance and completion guarantees, workers' compensation claims, letters of credit, bank guarantees and banker's acceptances, warehouse receipts or similar instruments and similar obligations (other than in respect of other Indebtedness for borrowed money) in each case provided in the ordinary course of business or consistent with past practice;

(n) cash management obligations and other Indebtedness in respect of netting services, overdraft protection and similar arrangements, in each case, in connection with cash management and deposit accounts maintained in the ordinary course of business;

(o) to the extent constituting Indebtedness, Guarantees in the ordinary course of business of the obligations of suppliers, customers, franchisees and licensees of the Borrower and its Subsidiaries (other than any Regulated Subsidiary);

(p) performance guarantees primarily guaranteeing performance of contractual obligations to a third party and not for the purpose of guaranteeing payment of Indebtedness;

(q) Indebtedness of the Regulated Subsidiaries to any Credit Party under "surplus notes" in an aggregate principal amount not to exceed $25,000,000 at any time outstanding, *provided* that, to the extent not expressly prohibited from being pledged in the governing documents therefor and/or by Applicable Laws, such notes are at all times held in the possession of the Collateral Agent, together with a duly executed allonge;

(r) Indebtedness of Osprey Re Ltd. owing to the Borrower solely in connection with the funding of reinsurance obligations pursuant to Applicable Law in an aggregate principal amount not to exceed $20,000,000 at any time outstanding; and

(s) other unsecured Indebtedness of the Borrower or its Subsidiaries in an aggregate principal amount not to exceed $2,000,000 at any time outstanding.

For purposes of determining compliance with this Section 8.1 , in the event that an item of Indebtedness (or any portion thereof, but excluding any Indebtedness incurred pursuant to Section 8.1(i ) ) at any time meets the criteria of more than one of the categories described above in Section 8.1 , the Borrower, in its sole discretion, may classify or reclassify (or later divide, classify or reclassify) such item of Indebtedness (or any portion thereof) and shall only be required to include the amount and type of such Indebtedness in one of the above clauses. Accrual of interest or dividends, the accretion of accreted value, the accretion or amortization of original issue discount and the payment of interest, premium, fees or expenses, in the form of additional Indebtedness, or preferred stock (in each case so long as such additional Indebtedness or preferred stock is in the same form and on the same terms as the Indebtedness to which such payment relates) shall not be deemed to be an incurrence of Indebtedness for purposes of this Section 8.1 .

Section 8.2 Liens . No Credit Party shall, nor shall it permit any of its Subsidiaries to, directly or indirectly, create, incur, assume or permit to exist any Lien on, or with respect to, any property or asset of any kind (including any document or instrument in respect of goods or accounts receivable) of any Credit Party or any of its Subsidiaries, whether now owned or hereafter acquired, created or licensed or any income, profits or royalties therefrom, or file or permit the filing of, or permit to remain in effect, any financing statement or other similar notice of any Lien with respect to any such property, asset, income, profits or royalties under the UCC of any State or under any similar recording or notice statute or under any Applicable Laws related to intellectual property, except:

(a) Liens in favor of the Collateral Agent for the benefit of the holders of the Obligations granted pursuant to any Credit Document;

(b) Liens for Taxes not yet due, or for Taxes if obligations with respect to such Taxes are being contested in good faith by appropriate proceedings diligently conducted;

(c) statutory Liens of landlords, banks, carriers, warehousemen, mechanics, repairmen, workmen and materialmen, and other Liens imposed by law (other than any such Lien imposed pursuant to Section 430(k) of the Internal Revenue Code or Section 303(k) or 4068 of ERISA that would constitute an Event of Default under Section 9.1(j )), in each case, incurred in the ordinary course of business (i) for amounts not yet overdue, or (ii) for amounts that are overdue and that are being contested in good faith by appropriate proceedings, so long as such reserves or other appropriate provisions, if any, as shall be required by GAAP shall have been made for any such contested amounts;

(d) Liens incurred in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, trade contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money or other Indebtedness), so long as no foreclosure, sale or similar proceedings have been commenced with respect to any portion of the Collateral on account thereof;

(e) easements, rights-of-way, restrictions, encroachments, and other minor defects or irregularities in title, in each case, which do not and will not interfere in any material respect with the ordinary conduct of the business of any Credit Party or any of its Subsidiaries, taken as a whole, including, without limitation, all encumbrances shown on any policy of title insurance in favor of the Collateral Agent with respect to any Real Estate Asset;

(f) any interest or title of a lessor or sub-lessor under any lease of real estate permitted hereunder;

(g) Liens solely on any cash earnest money deposits made by any Credit Party or any of its Subsidiaries in connection with any letter of intent, or purchase agreement permitted hereunder;

(h) purported Liens evidenced by the filing of precautionary UCC financing statements relating solely to operating leases of personal property entered into in the ordinary course of business;

(i) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(j) any zoning or similar law or right reserved to or vested in any governmental office or agency to control or regulate the use of any real property;

(k) licenses of patents, trademarks and other intellectual property rights granted by any Credit Party or any of its Subsidiaries in the ordinary course of business and not interfering in any respect with the ordinary conduct of the business of such Credit Party or such Subsidiary;

(l) Liens existing as of the Closing Date and described in Schedule 8.2 ;

(m) Liens securing purchase money Indebtedness and Capital Leases to the extent permitted pursuant to Section 8.1(e ); *provided* , any such Lien shall encumber only the asset acquired with the proceeds of such Indebtedness or the assets subject to such Capital Lease, respectively;

(n) Liens in favor of the Issuing Bank or the Swingline Lender on cash collateral securing the obligations of a Defaulting Lender to fund risk participations hereunder;

(o) Liens consisting of judgment or judicial attachment liens relating to judgments which do not constitute an Event of Default hereunder;

(p) licenses (including licenses of Intellectual Property), sublicenses, leases or subleases granted to third parties in the ordinary course of business;

(q) Liens in favor of collecting banks under Section 4–210 of the UCC;

(r) Liens (including the right of set-off) in favor of a bank or other depository institution arising as a matter of law encumbering deposits;

(s) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods in the ordinary course of business;

(t) Liens on the assets of Regulated Subsidiaries securing the Indebtedness permitted under clause (i ) of Section 8.1 ;

(u) Liens on insurance policies and the proceeds thereof granted in the ordinary course of business to secure the financing of insurance premiums with respect thereto;

(v) Liens of bailees in the ordinary course of business;

(w) utility and similar deposits in the ordinary course of business;

(x) Liens secured by the Existing Mortgaged Property and Permitted Refinancing thereof;

(y) Liens not otherwise permitted hereunder securing Indebtedness or other obligations not in excess of $1,000,000 in the aggregate at any one time outstanding.

For purposes of determining compliance with this Section 8.2 , (x) a Lien need not be incurred solely by reference to one category of Liens described above but may be incurred under any combination of such categories (including in part under one such category and in part under any other such category) and (y) in the

event that a Lien (or any portion thereof) meets the criteria of one or more of such categories of Liens described above, the Borrower, in its sole discretion, may classify or may subsequently reclassify at any time such Lien (or any portion thereof) in any manner that complies with this covenant.

Section 8.3 No Further Negative Pledges. No Credit Party shall, nor shall it permit any of its Subsidiaries to, enter into any Contractual Obligation (other than this Agreement and the other Credit Documents) that limits the ability of any Credit Party or any such Subsidiary to create, incur, assume or suffer to exist Liens on property of such Person; provided, however, that this Section 8.3 shall not prohibit:

(i) any negative pledge incurred or provided in favor of any holder of Indebtedness permitted under Section 8.1(e), solely to the extent any such negative pledge relates to the property financed by or subject to Permitted Liens securing such Indebtedness;

(ii) any Permitted Lien or any document or instrument governing any Permitted Lien, *provided* that any such restriction contained therein relates only to the asset or assets subject to such Permitted Lien;

(iii) customary restrictions and conditions contained in any agreement relating to the disposition of any property or assets permitted under Section 8.10 pending the consummation of such disposition; and

(iv) customary provisions restricting assignments, subletting or other transfers contained in leases, licenses, joint venture agreements and similar agreements entered into in the ordinary course of business.

Section 8.4 Restricted Payments. No Credit Party shall, nor shall it permit any of its Subsidiaries to, declare or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, except that:

(a) each Subsidiary of the Borrower may make Restricted Payments to any Person that owns Equity Interests in such Subsidiary, ratably according to their respective holdings of the type of Equity Interest in respect of which such Restricted Payment is being made;

(b) the Borrower may declare and make dividend payments or other distributions payable solely in common Equity Interests of such Person;

(c) redemptions or repurchases of Equity Interests in the Borrower from employees and former employees; *provided* that (x) the aggregate amount of all such redemptions or repurchases made pursuant to this clause (c) in any Fiscal Year shall not exceed $2,000,000 and (y) after giving effect to any such redemption or repurchase on a Pro Forma Basis, no Default or Event of Default shall exist;

(d) Restricted Payments consisting of announced dividends that satisfied the conditions of any other clause of this Section 8.4 at the time of announcement thereof;

(e) so long as no Default or Event of Default exists or would result therefrom, the making by the Borrower of quarterly dividend payments in respect of common stock of the Borrower in an aggregate amount not to exceed $10,000,000 in any Fiscal Year;

(f) Restricted Payments consisting of dividends paid by Zephyr Acquisition Company to Heritage Property & Casualty Insurance Company as a holder of preferred Equity Interests pursuant to the terms of a consent order issued by an applicable Insurance Regulatory Authority; and

(g) other Restricted Payments, so long as:

(i) no Default or Event of Default exists or would result therefrom;

(ii) on a Pro Forma Basis after giving effect to any such Restricted Payment, the Consolidated Leverage Ratio is at least 0.25:1.00 (a "quarter turn") less than the Consolidated Leverage Ratio required for the period of four (4) Fiscal Quarters most recently ended; and

(iii) after giving effect to any such Restricted Payment, there remains at least Twenty-Five Million Dollars ($25,000,000) of Liquidity.

Section 8.5 Burdensome Agreements. No Credit Party shall, nor shall it permit any of its Subsidiaries to, enter into, or permit to exist, any Contractual Obligation that encumbers or restricts the ability of any such Person to:

(i) pay dividends or make any other distributions to the Borrower or other Credit Party on its Equity Interests or with respect to any other interest or participation in, or measured by, its profits;

(ii) pay any Indebtedness or other obligation owed to the Borrower or any other Credit Party;

(iii) make loans or advances to the Borrower or any other Credit Party;

(iv) sell, lease or transfer any of its property to the Borrower or any other Credit Party;

(v) pledge its property pursuant to the Credit Documents or any renewals, refinancings, exchanges, refundings or extension thereof; or

(vi) act as a Credit Party pursuant to the Credit Documents or any renewals, refinancings, exchanges, refundings or extension thereof;

except (in respect of any of the matters referred to in clauses (i) – (iv ) above) for:

(A) this Agreement and the other Credit Documents;

(B) any document or instrument governing Indebtedness incurred pursuant to Section 8.1(e ), *provided* that any such restriction contained therein relates only to the asset or assets constructed or acquired in connection therewith;

(C) any Permitted Lien or any document or instrument governing any Permitted Lien, *provided* that any such restriction contained therein relates only to the asset or assets subject to such Permitted Lien;

(D) customary restrictions and conditions contained in any agreement relating to the sale of any property permitted under Section 8.10 pending the consummation of such sale;

(E) any restrictions regarding licensing or sublicensing by the Borrower and its Subsidiaries of Intellectual Property in the ordinary course of business;

(F) customary provision in leases and other contracts restricting the assignment thereof; and

(G) restrictions that arise in connection with Indebtedness permitted to be incurred pursuant to Section 8.1(l ).

Section 8.6 Investments. No Credit Party shall, nor shall it permit any of its Subsidiaries to, directly or indirectly, make or own any Investment in any Person, including any joint venture and any Foreign Subsidiary, except:

(a) Investments in cash and Cash Equivalents and deposit accounts or securities accounts in connection therewith;

(b) equity Investments owned as of the Closing Date in any Subsidiary;

(c) intercompany loans to the extent permitted under Section 8.1(b), and guarantees to the extent permitted under Section 8.1(c);

(d) Investments existing on the Closing Date and described on Schedule 8.6;

(e) Investments constituting Swap Agreements permitted by Section 8.1(f);

(f) Permitted Acquisitions;

(g) Investments constituting accounts receivable, trade debt and deposits for the purchase of goods, in each case made in the ordinary course of business;

(h) Investments made by Regulated Subsidiaries (x) in the ordinary course of business that are consistent with the respective investment policies of each such Regulated Subsidiary in effect on the Closing Date, as such policy may be amended or modified from time to time by board (or equivalent) approval and (y) consisting of the repurchase of Convertible Notes in accordance with the terms of Section 8.13(c);

(i) Guarantees by Borrower or any Subsidiary constituting Indebtedness permitted by Section 8.1;

(j) loans or advances to employees, officers or directors of the Borrower or any Subsidiary in the ordinary course of business for travel, relocation and related expenses; provided, that the aggregate amount of all such loans and advances does not exceed $500,000 in the aggregate at any time outstanding;

(k) Investments received in connection with the bankruptcy or reorganization of, or settlement of delinquent accounts and disputes with, customers and suppliers, or upon the foreclosure with respect to any secured Investment or other transfer of title with respect to any secured Investment;

(l) Investments resulting from pledges or deposits described in clause (d) of Section 8.2;

(m) Investments consisting of cash earnest money deposits in connection with a Permitted Acquisition or other Investment permitted hereunder;

(n) Investments consisting of endorsements for collection or deposit in the ordinary course of business;

(o)

(i) Investments by the Borrower and its Subsidiaries in Credit Parties;

(ii) Investments by Subsidiaries of the Borrower that are not Credit Parties in other Subsidiaries that are not Credit Parties; and

(iii) Investments by the Credit Parties in Subsidiaries that are not Credit Parties to the extent required to provide capital support for such Regulated Subsidiaries in amounts sufficient to maintain a risk-based capital ratio of at least one-hundred and fifty percent (150.0%) of company action level (or

similar term as used under Applicable Laws or by any applicable Insurance Regulatory Authority) or as otherwise required by an applicable Insurance Regulatory Authority, so long as:

(A) no Default or Event of Default exists or would result from such Investment;

(B) on a Pro Forma Basis after giving effect to any such Investment, the Credit Parties are in compliance with Section 8.8 ; and

(C) after giving effect to any such Investment, there remains at least Twenty-Five Million Dollars ($25,000,000) of Liquidity;

(p) Investments in joint ventures in an aggregate amount not to exceed $5,000,000 at any time outstanding; and

(q) other Investments not listed above and not otherwise prohibited by this Agreement in an aggregate amount outstanding at any time (on a cost basis) not to exceed $1,000,000.

Notwithstanding the foregoing, in no event shall any Credit Party make any Investment which results in or facilitates in any manner any Restricted Payment not otherwise permitted under the terms of Section 8.4 .

For purposes of determining compliance with this Section 8.6 , (x) an Investment need not be made solely by reference to one category of Investments described in Sections 8.6(a ) through ( o ) above but may be made under any combination of such categories (including in part under one such category and in part under any other such category), (y) in the event that an Investment (or any portion thereof) meets the criteria of one or more of such categories of Investments described in clauses (a ) through ( o ) above, the Borrower, in its sole discretion, may classify or may subsequently reclassify at any time such Investment (or any portion thereof) in any manner that complies with this covenant and (z) any Investment that is written down, written off or forgiven by Borrower or any of its Subsidiaries shall continue to count against any cap set forth in the clause or clauses of this Section 8.6 pursuant to which such Investment is permitted.

Any Investment that exceeds the limits of any particular clause set forth above may be allocated amongst more than one of such clauses to permit the incurrence or holding of such Investment to the extent such excess is permitted as an Investment under such other clauses.

Section 8.7 Use of Proceeds . No Credit Party shall use the proceeds of any Credit Extension of the Loans except pursuant to Section 7.9 . No Credit Party shall use, and each Credit Party shall ensure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Credit Extension:

(i) to refinance any commercial paper;

(ii) in any manner that causes or might cause such Credit Extension or the application of such proceeds to violate any applicable Sanctions, Regulation T, Regulation U or Regulation X of the Board of Governors of the Federal Reserve System as in effect from time to time or any other regulation thereof or to violate the Exchange Act;

(iii) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws ; or

(iv) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country.

Section 8.8 Financial Covenants . The Credit Parties shall not:

(a) Consolidated Leverage Ratio . Permit the Consolidated Leverage Ratio, as of the end of any Fiscal Quarter of the Borrower (commencing with the Fiscal Quarter of the Borrower ending December 31, 2018) , to be greater than: (i) for the Fiscal Quarter ended December 31 , 2018 and each Fiscal Quarter through , and including , the Fiscal Quarter ending December 31 , 20 19 , 3. 25 :1.00 ; (ii) for the Fiscal Quarter ending March 31 , 2020 and each Fiscal Quarter ending through , and including , the Fiscal Quarter ending December 31, 202 0 , 3 . 00 :1.00 ; (iii) for the Fiscal Quarter ending March 31 , 2021 and each Fiscal Quarter ending through, and including, the Fiscal Quarter ending December 31, 2021, 2.75:1.00 ; and (iv) for the Fiscal Quarter ending March 31, 2022 and each Fiscal Quarter ending thereafter , 2. 50 :1.00.

(b) Consolidated Fixed Charge Coverage Ratio . Permit the Consolidated Fixed Charge Coverage Ratio, as of the end of any Fiscal Quarter of the Borrower (commencing with the Fiscal Quarter of the Borrower ending December 31, 2018), to be less than 1.20:1.00.

(c) Consolidated Net Worth . Permit the Consolidated Net Worth, as of the end of any Fiscal Quarter of the Borrower, to be less than: (i) seventy five percent (75.0%) of the Consolidated Net Worth of the Borrower and its Subsidiaries (including Regulated Subsidiaries) as of December 31, 2017; *plus* (ii) seventy-five percent (75.0%) of the sum of the positive Consolidated Net Income of the Borrower and its Subsidiaries (including Regulated Subsidiaries) earned with respect to each full Fiscal Quarter ended to date after December 31, 2017; *plus* (iii) one hundred percent (100.0%) of the Net Cash Proceeds of any Equity Transaction of the Borrower and its Subsidiaries (including Regulated Subsidiaries) occurring on or after the Closing Date.

Section 8.9 Fundamental Changes; Disposition of Assets; Acquisitions . No Credit Party shall, nor shall it permit any of its Subsidiaries to, enter into any Acquisition or transaction of merger or consolidation, or liquidate, wind-up or dissolve itself (or suffer any liquidation or dissolution), or make any Asset Sale, or acquire by purchase or otherwise (other than purchases or other acquisitions of inventory and materials and the acquisition of equipment and capital expenditures in the ordinary course of business, subject to Section 8 .9) the business, property or fixed assets of, or Equity Interests or other evidence of beneficial ownership of, any Person or any division or line of business or other business unit of any Person (including, in each case, pursuant to the division or allocation of a limited liability company), except:

(a) any Subsidiary of any Credit Party may be merged with or into the Borrower or any Subsidiary, or be liquidated, wound up or dissolved, or all or any part of its business, property or assets may be conveyed, sold, leased, transferred or otherwise disposed of, in one transaction or a series of transactions, to the Borrower or any other Subsidiary; *provided* , in the case of such a merger, (i) if the Borrower is party to the merger, the Borrower shall be the continuing or surviving Person, and (ii) if any Guarantor is a party to such merger, then a Guarantor shall be the continuing or surviving Person;

(b) Asset Sales, the proceeds of which, when aggregated with the proceeds of all other Asset Sales made within the same Fiscal Year, do not exceed $10,000,000 *provided* (1) the consideration received for such assets shall be in an amount at least equal to the fair market value thereof (determined in good faith by the board of directors of the applicable Credit Party (or similar governing body)), and (2) no less than seventy-five percent (75.0%) of such proceeds shall be paid in cash;

(c) Investments made in accordance with Section 8.6 ; and

(d) sales of any assets made by any Regulated Subsidiary in the ordinary course of business.

Section 8.10 Disposal of Subsidiary Interests . Except for any sale of all of its interests in the Equity Interests of any of its Subsidiaries in compliance with the provisions of Section 8 .9 and except for Liens securing the Obligations, no Credit Party shall, nor shall it permit any of its Subsidiaries to:

(a) directly or indirectly sell, assign, pledge or otherwise encumber or dispose of any Equity Interests of any of its Subsidiaries, except to qualify directors if required by Applicable Laws; or

(b) permit any of its Subsidiaries directly or indirectly to sell, assign, pledge or otherwise encumber or dispose of any Equity Interests of any of its Subsidiaries, except to another Credit Party (subject to the restrictions on such disposition otherwise imposed hereunder), or to qualify directors if required by Applicable Laws.

Section 8.11 Sales and Lease-Backs. No Credit Party shall, nor shall it permit any of its Subsidiaries to, directly or indirectly, become or remain liable as lessee or as a guarantor or other surety with respect to any lease of any property (whether real, personal or mixed), whether now owned or hereafter acquired, which the Credit Party or any Subsidiary:

(a) has sold or transferred, or is to sell or to transfer, to any other Person (other than the Borrower or any other Credit Party); or

(b) intends to use for substantially the same purpose as any other property which has been or is to be sold or transferred by the Borrower or any other Credit Party to any Person (other than the Borrower or any other Credit Party) in connection with such lease.

Section 8.12 Transactions with Affiliates and Insiders. No Credit Party shall, nor shall it permit any of its Subsidiaries to, directly or indirectly, enter into or permit to exist any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any officer, director or Affiliate of the Borrower or any its Subsidiaries on terms that are less favorable to the Borrower or such Subsidiary, as the case may be, than those that might be obtained at the time from a Person who is not an officer, director or Affiliate of the Borrower or any of its Subsidiaries; *provided* , the foregoing restriction shall not apply to:

(a) any transaction between or among the Credit Parties;

(b) compensation (including bonuses and equity or other consideration) and employee benefit arrangements paid to, indemnities provided for the benefit of, and employment and severance arrangements entered into with, and reimbursement of expenses of officers and directors and approved by the Board of Directors of the Borrower;

(c) any Restricted Payment to the extent permitted by Section 8.4 ; and

(d) any issuances of securities or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment agreements, employee stock options and employee stock ownership plans.

Section 8.13 Modification or Prepayment of Other Funded Debt. No Credit Party shall, nor shall it permit any of its Subsidiaries to:

(a) after the issuance thereof, amend or modify (or permit the termination, amendment or modification of) the terms of any Funded Debt in a manner adverse in any material respect to the interests of the Lenders (including specifically shortening any maturity or average life to maturity or requiring any payment sooner than previously scheduled or increasing the interest rate or fees applicable thereto), except to the extent any such amendment or modification constitutes a Permitted Refinancing;

(b) make any payment in contravention of the terms of any Subordinated Debt;

(c) with respect to any Funded Debt (other than Funded Debt constituting Obligations), pay, prepay, redeem, purchase, defease or otherwise satisfy or obligate itself to do so prior to the scheduled maturity thereof in any manner (including by the exercise of any right of setoff), *provided* that the Borrower may (i) pay scheduled amortization payments for any Funded Debt and scheduled payments of interest for any Funded Debt, each in accordance with their terms and subject to the governing documents with respect thereto, and (ii) the

Borrower may redeem or repurchase Convertible Notes and/or make voluntary prepayments with respect to any intercompany Indebtedness owing by any Credit Party or Subsidiary (other than a Regulated Subsidiary) to any Regulated Subsidiary permitted under Section 8.1(b)(ii ), so long as:

(i) no Default or Event of Default exists or would result therefrom;

(ii) before giving effect on a Pro Forma Basis, and after giving effect on a Pro Forma Basis, to any such redemption, purchase or voluntary prepayment, the Consolidated Leverage Ratio is at least 0.25:1.00 (a " *quarter turn* ") less than the Consolidated Leverage Ratio required for the period of four (4) Fiscal Quarters most recently ended;

(iii) after giving effect to any such redemption, purchase or voluntary prepayment, there remains at least Twenty Five Million Dollars ($25,000,000) of Liquidity; and

(iv) immediately upon any purchase of any Convertible Notes, the Indebtedness evidenced thereby is irrevocably cancelled; or

(d) except in connection with a Permitted Refinancing, make any voluntary prepayment, redemption, defeasance or acquisition for value of (including by way of depositing money or securities with the trustee with respect thereto before due for the purpose of paying when due), or refund, refinance or exchange of, any Funded Debt (other than the Indebtedness under the Credit Documents and intercompany Indebtedness permitted hereunder owing to any Credit Party).

Section 8.14 Conduct of Business . From and after the Closing Date, no Credit Party shall, nor shall it permit any of its Subsidiaries to, engage in any business other than the businesses engaged in by such Credit Party or such Subsidiary on the Closing Date and businesses that are substantially similar, related or incidental thereto .

Section 8.15 Fiscal Year . No Credit Party shall, nor shall it permit any of its Subsidiaries to, change its Fiscal Year-end from December 31 .

Section 8.16 Amendments to Organizational Agreements / Material Agreements . No Credit Party shall, nor shall it permit any of its Subsidiaries to, amend or permit any amendments to its Organizational Documents if such amendment could reasonably be expected to be materially adverse to the Lenders or the Administrative Agent. No Credit Party shall, nor shall it permit any of its Subsidiaries to, amend or permit any amendment to, or terminate or waive any provision of (i) any Material Contract other than any managing general agent or service company agreement entered into by any Credit Party or any Subsidiary of any Credit Party, unless such amendment, termination, or waiver would not have, and would not be expected to have, a Material Adverse Effect on the Administrative Agent or the Lenders, and (ii) any Material Contract that is a managing general agent or service company agreement entered into by any Credit Party or any Subsidiary of any Credit Party, unless such amendment, termination, or waiver would not have, and would not be expected to have, an adverse effect on the Credit Parties, the Administrative Agent or the Lenders; *provided* , *however* , that the Credit Parties and their Subsidiaries shall be permitted to amend, terminate or waive any provision of a Material Contract to the extent expressly required to do so under Applicable Law or in writing by any Insurance Regulatory Authority, in each case, with prompt written notice of such amendment, termination or waiver to be provided to the Administrative Agent.

Section 8.17 Accounting and Reporting Changes . No (i) Credit Party or any Subsidiary (other than any Regulated Subsidiary) may make any significant change in accounting treatment or reporting practices, except as required by GAAP or the SEC and (ii) Regulated Subsidiary may make any significant change in accounting treatment or reporting practices, except as required by statutory accounting principles .

Section 8.18 Statutory Capitalization / Risk Based Capital Ratio. As of the end of each Fiscal Year , all Credit Parties and their Subsidiaries subject to any minimum statutory capitalization and/or risk-based capital ratio requirements imposed by any Insurance Regulatory Authority and/or Applicable Laws shall meet or exceed such requirements and, in any event, maintain a risk-based capital ratio of at least one-hundred and fifty percent (150.0%) of company action level (or similar term as used under Applicable Laws or by any applicable Insurance Regulatory Authority) ; *provided* that, in the event that the Credit Parties and their Subsidiaries shall fail to comply with the foregoing, the Credit Parties and their Subsidiaries shall have a period of six (6) months following the applicable Fiscal Year end to return to compliance with the foregoing.

## Article 9

## EVENTS OF DEFAULT ; REMEDIES ; APPLICATION OF FUNDS .

Section 9.1 Events of Default. If any one or more of the following conditions or events shall occur:

(a) Failure to Make Payments When Due . Failure by any Credit Party to pay:

(i) the principal of any Loan when due, whether at stated maturity, by acceleration or otherwise;

(ii) within one (1) Business Day of when due, any amount payable to the Issuing Bank in reimbursement of any drawing under a Letter of Credit; or

(iii) within five (5) Business Days of when due, any interest on any Loan or any fee or any other amount due hereunder ;

(b) Default in Other Agreements .

(i) Failure of any Credit Party or any of its Subsidiaries to pay when due any principal of or interest on, or any other amount payable in respect of, one or more items of Indebtedness (other than Indebtedness referred to in clause (a ) above but including, without limitation, Indebtedness under the Convertible Notes or Senior Secured Notes) in an aggregate principal amount of $2,000,000 or more, in each case, beyond the grace or cure period, if any, provided therefor; or

(ii) breach or default by any Credit Party with respect to any other term of (A) one or more items of Indebtedness in the aggregate principal amounts referred to in clause (b)(i ) above, or (B) any loan agreement, mortgage, indenture or other agreement relating to such item(s) of Indebtedness, in each case, beyond the grace or cure period, if any, provided therefor, if the effect of such breach or default is to cause, or to permit the holder or holders of that Indebtedness (or a trustee on behalf of such holder or holders), to cause, that Indebtedness to become or be declared due and payable (or subject to a compulsory repurchase or redeemable) prior to its stated maturity or the stated maturity of any underlying obligation, as the case may be;

*provided* that, so long as the Administrative Agent has not exercised any remedies under this Article 9, any Default or Event of Default under this clause (b ) shall be immediately cured and no longer continuing (without any action on the part of the Administrative Agent, any Lender or otherwise) as and when any such failure (x) is remedied by the Borrower or applicable Subsidiary or (y) is waived (including in the form of amendment) by the requisite holders of the applicable item of Indebtedness.

(c) Breach of Certain Covenants . Failure of any Credit Party to perform or comply with any term or condition contained in clause (a ), ( b ) or ( c ) of Section 7.1 (and such default or compliance remains uncured for a period of five (5) Business Days), Section 7.1(h ), Section 7.2 (a ) , 7.6 , 7.9 or 7.15 , or Article 8 .

(d) Breach of Representations, etc . Any representation, warranty, certification or other statement made or deemed made by any Credit Party in any Credit Document, or in any statement or certificate at any time given by any Credit Party or any of its Subsidiaries in writing pursuant hereto or thereto, or in connection herewith or therewith, shall be false in any material respect as of the date made or deemed made;

(e) Other Defaults Under Credit Documents . Any Credit Party shall default in the performance of, or compliance with, any term contained herein or in any of the other Credit Documents, other than any such term referred to in any other clause of this Section 9.1 , and such default shall not have been remedied or waived within thirty (30) days after the earlier of:

(i) an Authorized Officer of any Credit Party becoming aware of such default; or

(ii) receipt by the Borrower of notice from the Administrative Agent or any Lender of such default;

(f) Involuntary Bankruptcy; Appointment of Receiver, etc .

(i) A court of competent jurisdiction shall enter a decree or order for relief in respect of any Credit Party or any of its Subsidiaries in an involuntary case under the Bankruptcy Code or Debtor Relief Laws now or hereafter in effect, which decree or order is not stayed, or any other similar relief shall be granted under any applicable federal or state law; or

(ii)

(A) an involuntary case shall be commenced against any Credit Party or any of its Subsidiaries under the Bankruptcy Code or other Debtor Relief Laws now or hereafter in effect;

(B) a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over any Credit Party or any of its Subsidiaries, or over all or a substantial part of its property, shall have been entered;

(C) there shall have occurred the involuntary appointment of an interim receiver, trustee or other custodian of any Credit Party or any of its Subsidiaries for all, or a substantial part, of its property; or

(D) a warrant of attachment, execution or similar process shall have been issued against any substantial part of the property of any Credit Party or any of its Subsidiaries;

and any such event described in this clause (f)(ii ) shall continue for sixty (60) days without having been dismissed, bonded or discharged;

(g) Voluntary Bankruptcy; Appointment of Receiver, etc .

(i) Any Credit Party or any of its Subsidiaries shall:

(A) have an order for relief entered with respect to it;

(B) commence a voluntary case under the Bankruptcy Code or other Debtor Relief Laws now or hereafter in effect;

(C) consent to the entry of an order for relief in an involuntary case, or to the conversion of an involuntary case to a voluntary case, under any such law;

(D) consent to the appointment of, or taking possession by, a receiver, trustee or other custodian for all, or a substantial part, of its property;

(E) make any assignment for the benefit of creditors; or

(F) be unable, or fail generally, or admit in writing its inability, to pay its debts as such debts become due; or

(ii) the board of directors (or similar governing body) of any Credit Party or any of its Subsidiaries, or any committee thereof, shall adopt any resolution or otherwise authorize any action to approve any of the actions referred to in this clause (g ) or in clause (f ) above;

(h) Judgments and Attachments .

(i) Any one or more final, non-appealable money judgments, writs or warrants of attachment or similar process involving an aggregate amount at any time in excess of $2,000,000 (to the extent not adequately covered by insurance as to which a solvent and unaffiliated insurance company has acknowledged coverage in writing) shall be entered or filed against any Credit Party or any of its Subsidiaries, or any of their respective assets, and shall remain undischarged, un-vacated, un-bonded or un-stayed for a period of sixty (60) days; or

(ii) any non-monetary judgment or order shall be rendered against any Credit Party or any of its Subsidiaries that could reasonably be expected to have a Material Adverse Effect, and shall remain undischarged, un-vacated, un-bonded or un-stayed for a period of sixty (60) days;

(i) Dissolution . Any order, judgment or decree shall be entered against any Credit Party or any of its Subsidiaries decreeing the dissolution or split up of such Credit Party or such Subsidiary, and such order shall remain undischarged or un- stayed for a period in excess of thirty (30) days;

(j) Pension Plans . There shall occur one or more ERISA Events which, individually or in the aggregate, results in liability of any Credit Party or any of its Subsidiaries in excess of $2,000,000 during the term hereof and which is not paid by the applicable due date;

(k) Change of Control . A Change of Control shall occur;

(l) Invalidity of Credit Documents and Other Documents . At any time after the execution and delivery thereof:

(i) this Agreement or any other Credit Document ceases to be in full force and effect (other than by reason of a release of Collateral in accordance with the terms hereof or thereof or the satisfaction in full of the Obligations (other than contingent and indemnified obligations not then due and owing) in accordance with the terms hereof) or shall be declared null and void, or the Collateral Agent shall not have or shall cease to have a valid and perfected Lien in any Collateral purported to be covered by the Collateral Documents with the priority required by the relevant Collateral Document; or

(ii) any Credit Party shall contest the validity or enforceability of any Credit Document in writing or deny in writing that it has any further liability, including with respect to future advances by the Lenders, under any Credit Document to which it is a party;

(m) Risk Retention . On June 1 st of each calendar year, the net pre-tax catastrophe retention of each Regulated Subsidiary, whose surpluses are available for payment of claims on policies issued by the Credit

Parties and their Subsidiaries, exceeds (i) fifty-five percent (55.0%) with respect to Zephyr Insurance Company , or (ii) thirty percent (30.0%) with respect to any Regulated Subsidiary other than Zephyr Insurance Company and Osprey Re Ltd. , of the immediately preceding March 31 st statutory surplus in the event of a 1/ 1 00 Probable Maximum Loss followed by a subsequent event equivalent to a 1/ 50 Probable Maximum Loss, as measured by a catastrophe model that has been approved by the appropriate Insurance Regulatory Authority; or

(n) Reinsurer Concentration . The aggregate amount of risk retention for catastrophic excess reinsurance provided for payment of claims on policies purchased by the Credit Parties and their Subsidiaries provided by any individual (or affiliated) Qualifying Reinsurer(s) (other than the Florida Hurricane Catastrophe Fund) or individual (or affiliated) Non-Qualifying Reinsurer(s) exceeds fifteen percent (15.0%) of the aggregate of all such risk retention provided by all Qualifying Reinsurers and Non-Qualifying Reinsurers; *provided* that, (x) for purposes of determining whether an Event of Default exists under this clause (o ), reinsurance provided by Non-Qualifying Reinsurers shall not be included in the calculation of the foregoing percentage of aggregate risk retention to the extent that the aggregate amount of reinsurance provided by Non-Qualifying Reinsurers exceeds fifteen percent (15.0%) of the aggregate amount of all reinsurance maintained by, or for the benefit of, the Insurance Affiliates whose surpluses are available for payment of claims on policies issued by the Credit Parties and their Subsidiaries, and (y) no Event of Default shall arise under this clause (o ) to the extent solely arising from the merger, after the Effective Date but prior to renewal of the applicable agreement(s), of any Qualifying Reinsurer or Non-Qualifying Reinsurer into any other Qualifying Reinsurer or Non-Qualifying Reinsurer, so long as no party to any such merger is an Affiliate of any Credit Party.

Section 9.2 Remedies . (a) Upon the occurrence of any Event of Default described in clause (f) or (g) of Section 9 .1, automatically, and (b) upon the occurrence, and during the continuance, of any other Event of Default, at the request of (or with the consent of) the Required Lenders, upon notice to the Borrower by the Administrative Agent:

(i) the Revolving Commitments, if any, of each Lender having such Revolving Commitments, and the obligation of the Issuing Bank to issue any Letter of Credit, each shall immediately terminate;

(ii) each of the following shall immediately become due and payable, in each case, without presentment, demand, protest or other requirements of any kind, all of which are hereby expressly waived by each of the Credit Parties:

(A) the unpaid principal amount of, and accrued interest on, the Loans;

(B) an amount equal to the maximum amount that may at any time be drawn under all Letters of Credit then outstanding (regardless of whether any beneficiary under any such Letter of Credit shall have presented, or shall be entitled at such time to present, the drafts or other documents or certificates required to draw under such Letters of Credit); and

(C) all other Obligations;

*provided* , the foregoing sub-clauses (ii)(A ), ( ii)(B ) and ( ii)(C ) shall not affect in any way the obligations of the Lenders under Section 2.2(b)(iii ) or 2.3(e );

(iii) the Administrative Agent may cause the Collateral Agent to enforce any and all Liens and security interests created pursuant to Collateral Documents; and

(iv) the Administrative Agent shall direct the Borrower to pay (and the Borrower hereby agrees, upon receipt of such notice, or upon the occurrence of any Event of Default specified in clause (f ) or ( g ) of Section 9.1 , to pay) to the Administrative Agent such additional amounts of cash, to be held as security for the Borrower's reimbursement Obligations in respect of Letters of Credit then

outstanding under arrangements acceptable to the Administrative Agent, equal to the Outstanding Amount of the Letter of Cr edit Obligations at such time.

Notwithstanding anything herein or otherwise to the contrary, any Event of Default occurring hereunder shall continue to exist (and shall be deemed to be continuing) until such time as such Event of Default has been cured to the satisfaction of the Required Lenders or waived in writing in accordance with the terms of Section 11.4 .

Section 9.3 Application of Funds . After the exercise of remedies provided for in Section 9.2 (or after the Loans have automatically become immediately due and payable), any amounts received on account of the Obligations shall be applied by the Administrative Agent in the following order:

*First* , to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (other than principal, interest and Letter of Credit Fees but including without limitation all reasonable out-of-pocket fees, expenses and disbursements of any law firm or other counsel and amounts payable under Section 3.1 , 3.2 and 3.3 ) payable to the Administrative Agent and the Collateral Agent, in each case, in its capacity as such;

*Second* , to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal, interest and Letter of Credit Fees) payable to the Lenders, including, without limitation, all reasonable out-of-pocket fees, expenses and disbursements of any law firm or other counsel and amounts payable under Section 3.1 , 3.2 and 3.3 ), ratably among the Lenders in proportion to the respective amounts described in this *Second clause* payable to them;

*Third* , to payment of that portion of the Obligations constituting accrued and unpaid Letter of Credit Fees and interest on the Loans, Letter of Credit Borrowings and other Obligations ratably among such parties in proportion to the respective amounts described in this *Third clause* payable to them;

*Fourth* , to:

(A) payment of that portion of the Obligations constituting unpaid principal of the Loans and Letter of Credit Borrowings;

(B) payment of breakage, termination or other amounts owing in respect of any Swap Agreement between any Credit Party or any of its Subsidiaries and any Qualifying Swap Provider, to the extent such Swap Agreement is permitted hereunder;

(C) payments of amounts due under any Treasury Management Agreement between any Credit Party or any of its Subsidiaries and any Qualifying Treasury Management Bank; and

(D) the Administrative Agent for the account of the Issuing Bank, to Cash Collateralize that portion of the Letter of Credit Obligations comprised of the aggregate undrawn amount of Letters of Credit;

ratably among such parties in proportion to the respective amounts described in this *Fourth clause* payable to them; and

*Last* , the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Borrower or as otherwise required by Applicable Laws.

Subject to Section 2.3 , amounts used to Cash Collateralize the aggregate undrawn amount of Letters of Credit pursuant to the *Fourth clause* above shall be applied to satisfy drawings under such Letters of Credit as they occur. If any amount remains on deposit as Cash Collateral after all Letters of Credit have either been fully drawn or expired, such remaining amount shall be applied to the other Obligations, if any, in the order set forth above.

Excluded Swap Obligations with respect to any Guarantor shall not be paid with amounts received from such Guarantor or such Guarantor's assets, but appropriate adjustments shall be made with respect to payments from other Credit Parties to preserve the allocation to Obligations otherwise set forth above in this Section 9.3 .

Notwithstanding the foregoing, Secured Swap Obligations and Secured Treasury Management Obligations shall be excluded from the application described above if the Administrative Agent has not received a Secured Party Designation Notice, together with such supporting documentation as the Administrative Agent may request, from the applicable Qualifying Swap Provider or Qualifying Treasury Management Bank, as the case may be. Each Qualifying Swap Provider or Qualifying Treasury Management Bank not a party to this Agreement that has given the notice contemplated by the preceding sentence shall, by such notice, be deemed to have acknowledged and accepted the appointment of the Administrative Agent pursuant to the terms of Section 10 for itself and its Affiliates as if a "Lender" party hereto.

## Article 10

## AGENCY

Section 10.1 Appointment and Authority .

(a) Each of the Lenders and the Issuing Bank hereby irrevocably appoints Regions Bank to act on its behalf as the Administrative Agent hereunder and under the other Credit Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article 10 are solely for the benefit of the Administrative Agent, the Lenders and the Issuing Bank, and no Credit Party nor any of its Subsidiaries shall have rights as a third party beneficiary of any of such provisions. It is understood and agreed that the use of the term "agent" herein or in any other Credit Documents (or any other similar term) with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any Applicable Law. Instead such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between contracting parties.

(b) Each of the Lenders hereby irrevocably appoints, designates and authorizes the Collateral Agent to take such action on its behalf under the provisions of this Agreement and each Collateral Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any Collateral Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere herein or in any Collateral Document, the Collateral Agent shall not have any duties or responsibilities, except those expressly set forth herein or therein, nor shall the Collateral Agent have or be deemed to have any fiduciary relationship with any Lender or participant, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any Collateral Document or otherwise exist against the Collateral Agent. Without limiting the generality of the foregoing sentence, the use of the term "agent" herein and in the Collateral Documents with reference to the Collateral Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any Applicable Law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties. The Collateral Agent shall act on behalf of the Lenders with respect to any Collateral and the Collateral Documents, and the Collateral Agent shall have all of the benefits and immunities: (i) provided to the Administrative Agent under the Credit Documents with respect to any acts taken or omissions suffered by the Collateral Agent in connection with any Collateral or the Collateral Documents as fully as if the term "Administrative Agent" as used in such Credit Documents included the Collateral Agent with respect to such acts or omissions; and (ii) as additionally provided herein or in the Collateral Documents with respect to the Collateral Agent.

Section 10.2 Rights as a Lender . The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender, and may exercise the

same as though it were not the Administrative Agent, and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for, and generally engage in any kind of business with the Borrower or any Subsidiary of the Borrower or other Affiliate thereof, as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders .

Section 10.3 Exculpatory Provisions .

(a) The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Credit Documents, and its duties hereunder shall be administrative in nature. Without limiting the generality of the foregoing, the Administrative Agent:

(i) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(ii) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Credit Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Credit Documents), *provided* that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Credit Document or Applicable Law, including, for the avoidance of doubt, any action that may be in violation of the automatic stay under any Debtor Relief Law or that may effect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any Debtor Relief Law; and

(iii) shall not, except as expressly set forth herein and in the other Credit Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

(b) The Administrative Agent shall not be liable for any action taken or not taken by it: (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 11.4 and 9.2 ); or (ii) in the absence of its own gross negligence or willful misconduct, as determined by a court of competent jurisdiction by final and nonappealable judgment. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent in writing by the Borrower, a Lender or the Issuing Bank.

(c) The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into:

(i) any statement, warranty or representation made in or in connection with this Agreement or any other Credit Document;

(ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith;

(iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default;

(iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Credit Document or any other agreement, instrument or document; or

(v) the satisfaction of any condition set forth in Section 5 or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

(d) The Administrative Agent and any assignor of a Loan or seller of a participation hereunder shall be entitled to rely conclusively on a representation of the assignee Lender or Participant in any document delivered in connection with this Agreement, including, without limitation, the relevant Assignment Agreement or participation agreement, as applicable, that such assignee or purchaser is not a Disqualified Institution. The Administrative Agent shall not be responsible or have any liability for, or have any duty to ascertain, inquire into, monitor or enforce, compliance with the provisions hereof relating to Disqualified Institutions. Without limiting the generality of the foregoing, the Administrative Agent shall not (x) be obligated to ascertain, monitor or inquire as to whether any Lender or Participant or prospective Lender or Participant is a Disqualified Institution or (y) have any liability with respect to or arising out of any assignment or participation of Loans, or disclosure of confidential information, to any Disqualified Institution.

Section 10.4 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, or the issuance, extension, renewal or increase of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or the Issuing Bank, the Administrative Agent may presume that such condition is satisfactory to such Lender or the Issuing Bank unless the Administrative Agent shall have received notice to the contrary from such Lender or the Issuing Bank prior to the making of such Loan or the issuance of such Letter of Credit. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower and its Subsidiaries), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts .

Section 10.5 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Credit Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Section 10.5 shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent. The Administrative Agent shall not be responsible for the negligence or misconduct of any sub-agents except to the extent that a court of competent jurisdiction determines in a final and non-appealable judgment that the Administrative Agent acted with gross negligence or willful misconduct in the selection of such sub-agents .

Section 10.6 Resignation of Administrative Agent .

(a) The Administrative Agent may at any time give notice of its resignation to the Lenders, the Issuing Bank and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a bank with an office in the United States (but which shall not be a Disqualified Institution), or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent gives notice of its

resignation (or such earlier day as shall be agreed by the Required Lenders) ( the " Resignation Effective Date "), then the retiring Administrative Agent may (but shall not be obligated to) on behalf of the Lenders and the Issuing Bank , appoint a successor Administrative Agent meeting the qualifications set forth above. Whether or not a successor has been appointed such resignation shall become effective in accordance with such notice on the Resignation Effective Date.

(b) If the Person serving as Administrative Agent is a Defaulting Lender pursuant to clause (d ) of the definition thereof, the Required Lenders may, to the extent permitted by Applicable Law by notice in writing to the Borrower and such Person remove such Person as the Administrative Agent and, in consultation with the Borrower, appoint a successor. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days (or such earlier day as shall be agreed by the Required Lenders (the " Removal Effective Date "), then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date.

(c) With effect from the Resignation Effective Date or the Removal Effective Date (as applicable): (1) the retiring or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Credit Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders or the Issuing Bank under any of the Credit Documents, the retiring or removed Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed); and (2) except for any indemnity payments owed to the retiring or removed Administrative Agent, all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender and the Issuing Bank directly, until such time as the Required Lenders appoint a successor Administrative Agent as provided for above in this Section. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring or removed Administrative Agent (other than any rights to indemnity payments owed to the retiring or removed Administrative Agent), and the retiring or removed Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Credit Documents (if not already discharged therefrom as provided above in this Section). The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor, unless otherwise agreed between the Borrower and such successor. After the retiring or removed Administrative Agent's resignation or removal hereunder and under the other Credit Documents, the provisions of this Section 10 and Section 11.2 shall continue in effect for the benefit of such retiring or removed Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring or removed Administrative Agent was acting as Administrative Agent.

Section 10.7 Non-Reliance on Administrative Agent and Other Lenders . Each of the Lenders and the Issuing Bank acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each of the Lenders and the Issuing Bank also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Credit Document or any related agreement or any document furnished hereunder or thereunder .

Section 10.8 No Other Duties, etc . Anything herein to the contrary notwithstanding, none of the Arrangers, Co-Documentation Agents or Syndication Agent listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Credit Documents, except in its capacity, as applicable, as the Administrative Agent, a Lender or the Issuing Bank hereunder .

Section 10.9 Administrative Agent May File Proofs of Claim . In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to any Credit Party, the

Administrative Agent (irrespective of whether the principal of any Loan or Letter of Credit Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered (but not obligated) by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, Letter of Credit Obligations and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders, the Issuing Bank and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders, the Issuing Bank and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders, the Issuing Bank and the Administrative Agent under Section 2.10 and 11.2 ) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender and the Issuing Bank to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders and the Issuing Bank, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Section 2.10 and 11.2 ).

Section 10.10 Collateral Matters .

(a) The Lenders (including the Issuing Bank and the Swingline Lender) irrevocably authorize the Administrative Agent and the Collateral Agent, at its option and in its discretion:

(i) to release any Lien on any property granted to or held under any Credit Document securing the Obligations:

(A) upon termination of the commitments under this Agreement and payment in full of all Obligations (other than contingent indemnification obligations and obligations under any Secured Swap Agreement or Secured Treasury Management Agreement) and the expiration or termination of all Letters of Credit (other than Letters of Credit as to which other arrangements satisfactory to the Administrative Agent and the Issuing Bank shall have been made);

(B) that is sold or otherwise disposed of or to be sold or otherwise disposed of as part of or in connection with any sale or other disposition permitted under the Credit Documents or consented to in accordance with the terms of this Agreement; or

(C) subject to Section 11.4 , if approved, authorized or ratified in writing by the Required Lenders;

(ii) to subordinate any Lien on any property granted to or held under any Credit Document securing the Obligations to the holder of any Lien on such property that is permitted by Section 8.2(m ); and

(iii) to release any Guarantor from its obligations under this Agreement and the other Credit Documents if such Person ceases to be a Guarantor as a result of a transaction permitted under the Credit Documents.

Upon request by the Administrative Agent or the Collateral Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Guarantor from its obligations under this Agreement pursuant to this Section 10.10 .

(b) The Administrative Agent shall not be responsible for or have a duty to ascertain or inquire into any representation or warranty regarding the existence, value or collectability of the Collateral, the existence, priority or perfection of the Administrative Agent's Lien thereon, or any certificate prepared by any Credit Party in connection therewith, nor shall the Administrative Agent be responsible or liable to the Lenders for any failure to monitor or maintain any portion of the Collateral.

(c) Anything contained in any of the Credit Documents to the contrary notwithstanding, each of the Credit Parties, the Administrative Agent, the Collateral Agent and each holder of the Obligations hereby agree that:

(i) no holder of the Obligations shall have any right individually to realize upon any of the Collateral or to enforce this Agreement, the Notes or any other Credit Agreement, it being understood and agreed that all powers, rights and remedies hereunder may be exercised solely by the Administrative Agent, on behalf of the holders of the Obligations in accordance with the terms hereof and all powers, rights and remedies under the Collateral Documents may be exercised solely by the Collateral Agent; and

(ii) in the event of a foreclosure by the Collateral Agent on any of the Collateral pursuant to a public or private sale or other disposition, the Collateral Agent or any Lender may be the purchaser of any or all of such Collateral at any such sale or other disposition, and the Collateral Agent, as agent for and representative of the holders of the Obligations (but not any Lender or Lenders in its or their respective individual capacities, unless the Required Lenders shall otherwise agree in writing) shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all, or any portion, of the Collateral sold at any such public sale, to use and apply any of the Obligations as a credit on account of the purchase price for any collateral payable by the Collateral Agent at such sale or other disposition.

(d) No Secured Swap Agreement or Secured Treasury Management Agreement will create (or be deemed to create) in favor of any Qualifying Swap Provider or any Qualifying Treasury Management Bank, respectively that is a party thereto any rights in connection with the management or release of any Collateral or of the obligations of the Borrower or any other Credit Party under the Credit Documents except as expressly provided herein or in the other Credit Documents. By accepting the benefits of the Collateral, each such Qualifying Swap Provider and Qualifying Treasury Management Bank shall be deemed to have appointed the Collateral Agent as its agent and agreed to be bound by the Credit Documents as a holder of the Obligations, subject to the limitations set forth in this clause (d) . Furthermore, it is understood and agreed that the Qualifying Swap Provider and Qualifying Treasury Management Banks, in their capacity as such, shall not have any right to notice of any action or to consent to, direct or object to any action hereunder or under any of the other Credit Documents or otherwise in respect of the Collateral (including the release or impairment of any Collateral, or to any notice of or consent to any amendment, waiver or modification of the provisions hereof or of the other Credit Documents) other than in its capacity as a Lender and, in any case, only as expressly provided herein.

## Article 11

## MISCELLANEOUS

Section 11.1 Notices ; Effectiveness; Electronic Communications .

(a) Notices Generally . Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in clause (b ) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier or electronic mail as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Administrative Agent, the Borrower or any other Credit Party, to the address, telecopier number, electronic mail address or telephone number specified in Appendix B ; and

(ii) if to any Lender, the Issuing Bank or the Swingline Lender, to the address, telecopier number, electronic mail address or telephone number in its Administrative Questionnaire on file with the Administrative Agent.

Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices and other communications sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices and other communications delivered through electronic communications to the extent provided in clause (b ) below, shall be effective as provided in clause (b ) below.

(b) Electronic Communications . Notices and other communications to the Lenders and the Issuing Bank hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, *provided* that the foregoing shall not apply to notices to any Lender or the Issuing Bank pursuant to Section 2 if such Lender or the Issuing Bank, as applicable, has notified the Administrative Agent and the Borrower that it is incapable of receiving notices under such Section by electronic communication. The Administrative Agent or any Credit Party may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, *provided* that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes:

(i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement); and

(ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i ) of notification that such notice or communication is available and identifying the website address therefor,

*provided* that, with respect to clauses (i ) and ( ii ) above, if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient.

(c) Change of Address, Etc . Any party hereto may change its address or telecopier number for notices and other communications hereunder by notice to the other parties hereto.

(d) Platform .

(i) Each Credit Party agrees that the Administrative Agent may, but shall not be obligated to, make the Communications (as defined below) available to the Issuing Bank and the other Lenders by posting the Communications on Debtdomain, Intralinks, Syndtrak or a substantially similar electronic transmission system ( the " Platform ").

(ii) The Platform is provided "as is" and "as available." The Agent Parties (as defined below) do not warrant the adequacy of the Platform and expressly disclaim liability for errors or omissions in the Communications. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third-party rights or freedom from viruses or other code defects, is made by any Agent Party in connection with the Communications or the Platform. In no event shall the Administrative Agent or any of its Related Parties (collectively, the " Agent Parties ") have any liability to the Borrower or the other Credit Parties, any Lender or any other Person or entity for damages of any kind, including, without limitation, direct or indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise) arising out of the Borrower's, any other Credit Party's or the Administrative Agent's transmission of communications through the Platform. " Communications " means, collectively, any notice, demand, communication, information, document or other material provided by or on behalf of any Credit Party pursuant to any Credit Document or the transactions contemplated therein which is distributed to the Administrative Agent, any Lender or the Issuing Bank by means of electronic communications pursuant to this Section, including through the Platform.

Section 11.2 Expenses; Indemnity; Damage Waiver .

(a) Costs and Expenses . The Credit Parties shall pay, on a joint and several basis, each of the following:

(i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates (which, in the case of legal counsel, shall be limited to the reasonable fees, charges and disbursements of one primary counsel for the Administrative Agent, the Collateral Agent, the Lenders, the Issuing Bank, the Swingline Lender and their respective Affiliates, taken as a whole, and of one special and local counsel to the Administrative Agent, the Collateral Agent, the Lenders, the Issuing Bank, the Swingline Lender and their respective Affiliates, taken as a whole, in each applicable jurisdiction retained by the Administrative Agent and/or the Collateral Agent, and, in the event of any actual or potential conflict of interest, one additional primary, special and local counsel, as applicable, for each of the foregoing subject to a conflict) in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Credit Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated);

(ii) all reasonable out-of-pocket expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder; and

(iii) all reasonable out-of-pocket expenses incurred by the Administrative Agent, any Lender or the Issuing Bank (which, in the case of legal counsel, shall be limited to the reasonable fees, charges and disbursements of one primary counsel for the Administrative Agent, the Collateral Agent, the Lenders, the Issuing Bank, the Swingline Lender and their respective Affiliates, taken as a whole, and of one special and local counsel to the Administrative Agent, the Collateral Agent, the Lenders, the Issuing Bank, the Swingline Lender and their respective Affiliates, taken as a whole, in each applicable jurisdiction retained by the Administrative Agent and/or the Collateral Agent, and, in the event of any actual or potential conflict of interest, one additional primary, special and local counsel, as applicable,

for each of the foregoing subject to a conflict ) in connection with the enforcem ent or protection of its rights:

(A) in connection with this Agreement and the other Credit Documents, including its rights under this Section; or

(B) in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) Indemnification by the Credit Parties . The Credit Parties shall indemnify, on a joint and several basis, the Administrative Agent (and any sub-agent thereof), the Collateral Agent (and any sub-agent thereof), each Lender and the Issuing Bank, and each Related Party of any of the foregoing Persons (each such Person being called an " Indemnitee ") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (which, in the case of legal counsel, shall be limited to the reasonable fees, charges and disbursements of one primary counsel for the Indemnitees, taken as a whole, and of one special and local counsel to the Indemnitees, taken as a whole, in each applicable jurisdiction retained by the Administrative Agent and/or the Collateral Agent, and, in the event of any actual or potential conflict of interest, one additional primary, special and local counsel, as applicable, for each Indemnitee subject to a conflict), incurred by any Indemnitee or asserted against any Indemnitee by any Person (including the Borrower or any other Credit Party) other than such Indemnitee or its Related Parties arising out of, in connection with, or as a result of:

(i) the execution or delivery of this Agreement, any other Credit Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby;

(ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit);

(iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any other Credit Party, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries; or

(iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing sub-clauses (i ), ( ii ), or ( iii ), whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower or any of its Subsidiaries, and regardless of whether any Indemnitee is a party thereto;

*provided* that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses: (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee; or (y) result from a claim brought by the Borrower or any Credit Party against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Credit Document, if the Borrower or such Credit Party has obtained a final and non-appealable judgment in its favor on such claim as determined by a court of competent jurisdiction. This clause (b ) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

(c) Reimbursement by Lenders . To the extent that the Credit Parties for any reason fail to indefeasibly pay any amount required under clauses (a ) or ( b ) above to be paid by it to the Administrative Agent

(or any sub-agent thereof), the Collateral Agent (or any sub-agent thereof), the Issuing Bank or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), the Collateral Agent (or any such sub-agent), the Issuing Bank or such Related Party, as the case may be, such Lender's *pro rata* share (in each case, determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, *provided* that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) or the Issuing Bank in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent) or the Issuing Bank in connection with such capacity. The obligations of the Lenders under this clause (c ) are subject to the provisions of this Agreement that provide that their obligations are several in nature, and not joint and several.

(d) Waiver of Consequential Damages, Etc . To the fullest extent permitted by Applicable Law, none of the Credit Parties shall assert, and each hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Credit Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee referred to in clause (b ) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Credit Documents or the transactions contemplated hereby or thereby.

(e) Payments . All amounts due under this Section shall be payable promptly, but in any event within ten (10) Business Days after written demand therefor (including delivery of copies of applicable invoices, if any).

(f) Survival . The provisions of this Section shall survive resignation or replacement of the Administrative Agent, Collateral Agent, the Issuing Bank, the Swingline Lender or any Lender, termination of the commitments hereunder and repayment, satisfaction and discharge of the loans and obligations hereunder.

Section 11.3 Set-Off . If an Event of Default shall have occurred and be continuing, each Lender, the Issuing Bank, and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by Applicable Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender, the Issuing Bank or any such Affiliate to or for the credit or the account of the Borrower or any other Credit Party against any and all of the obligations of the Borrower or such Credit Party now or hereafter existing under this Agreement or any other Credit Document to such Lender, the Issuing Bank or their respective Affiliates, irrespective of whether or not such Lender, the Issuing Bank or such Affiliate shall have made any demand under this Agreement or any other Credit Document and although such obligations of the Borrower or such Credit Party may be contingent or un-matured or are owed to a branch, office or Affiliate of such Lender or the Issuing Bank different from the branch or office holding such deposit or obligated on such indebtedness; provided that, in the event that any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.16 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent, the Issuing Bank, and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of setoff. The rights of each Lender, the Issuing Bank and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender, the Issuing Bank or their respective Affiliates may have. Each of the Lenders and the Issuing Bank agrees to notify the Borrower and the Administrative Agent promptly after any such

setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application .

Section 11.4 Amendments and Waivers .

(a) Required Lenders' Consent . Subject to clauses (b ) and ( c ) below, no amendment, modification, termination or waiver of any provision of the Credit Documents, or consent to any departure by any Credit Party therefrom, shall in any event be effective without the written concurrence of the Administrative Agent and the Required Lenders, *provided* that:

(i) the Administrative Agent may, with the consent of the Borrower only, amend, modify or supplement this Agreement to cure any ambiguity, omission, defect or inconsistency, so long as such amendment, modification or supplement does not adversely affect the rights of any Lender or the Issuing Bank;

(ii) each of the Fee Letter and any Auto Borrow Agreement may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto;

(iii) no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Commitments, Loans and/or Letter of Credit Obligations of such Lender may not be increased or extended without the consent of such Lender;

(iv) each Lender is entitled to vote as such Lender sees fit on any bankruptcy reorganization plan that affects the Loans, and each Lender acknowledges that the provisions of Section 1126(c) of the Bankruptcy Code of the United States supersedes the unanimous consent provisions set forth herein; and

(v) the Required Lenders shall determine whether or not to allow any Credit Party to use cash collateral in the context of a bankruptcy or insolvency proceeding and such determination shall be binding on all of the Lenders.

(b) Affected Lenders' Consent . Without the written consent of each Lender (other than a Defaulting Lender except as provided in clause (a)(iii ) above) that would be affected thereby, but subject to Section 3.1(h ), no amendment, modification, termination, or consent shall be effective if the effect thereof would:

(i) extend the Revolving Commitment Termination Date;

(ii) waive, reduce or postpone any scheduled repayment (but not prepayment) or alter the required application of any prepayment pursuant to Section 2.12 or the application of funds pursuant to Section 9.3 , as applicable;

(iii) extend the stated expiration date of any Letter of Credit, beyond the Revolving Commitment Termination Date;

(iv) reduce the principal of or the rate of interest on any Loan (other than any waiver of the imposition of the Default Rate pursuant to Section 2.9 ) or any fee or premium payable hereunder; *provided* , *however* , that only the consent of the Required Lenders shall be necessary:

(A) to amend the definition of "Default Rate" or to waive any obligation of the Borrower to pay interest at the Default Rate; or

(B) to amend any financial covenant hereunder (or any defined term used therein) even if the effect of such amendment would be to reduce the rate of interest on any Loan or to reduce any fee payable hereunder;

(v) extend the time for payment of any such interest or fees;

(vi) reduce the principal amount of any Loan or any reimbursement obligation in respect of any Letter of Credit;

(vii) amend, modify, terminate or waive any provision of this clause (b ), the below clause (c ) or any other provision of this Agreement that expressly provides that the consent of all Lenders is required;

(viii) change the percentage of the outstanding principal amount of Loans that is required for the Lenders or any of them to take any action hereunder or amend the definition of "Required Lenders";

(ix) release all or substantially all of the Collateral or all or substantially all of the Guarantors from their obligations hereunder, in each case, except as expressly provided in the Credit Documents; or

(x) consent to the assignment or transfer by the Borrower of any of its rights and obligations under any Credit Document (except pursuant to a transaction permitted hereunder).

(c) Other Consents . No amendment, modification, termination or waiver of any provision of the Credit Documents, or consent to any departure by the Borrower or any other Credit Party therefrom, shall:

(i) increase any Revolving Commitment of any Lender over the amount thereof then in effect without the consent of such Lender, *provided* , no amendment, modification or waiver of any condition precedent, covenant, Default or Event of Default shall constitute an increase in any Revolving Commitment of any Lender;

(ii) amend, modify, terminate or waive any provision hereof relating to the Swingline Sublimit or the Swingline Loans without the consent of the Swingline Lender;

(iii) amend, modify, terminate or waive any obligation of Lenders relating to the purchase of participations in Letters of Credit as provided in Section 2.3(e ) without the written consent of the Administrative Agent and of the Issuing Bank; or

(iv) amend, modify, terminate or waive any provision of this Section 11 as the same applies to the Administrative Agent, or any other provision hereof as the same applies to the rights or obligations of the Administrative Agent, in each case, without the consent of the Administrative Agent.

Notwithstanding any of the foregoing to the contrary:

(A) the consent of the Borrower and the other Credit Parties shall not be required for any amendment, modification or waiver of the provisions of Section 10 (other than the provisions of Sections 10.6 or 10.10 ), so long as such amendment is not adverse to the interests of the Borrower and the other Credit Parties;

(B) the Credit Parties, the Administrative Agent and/or the Collateral Agent, without the consent of any Lender, may enter into any amendment, modification or waiver of any Credit Document, or enter into any new agreement or instrument, to effect the granting, perfection, protection, expansion or enhancement of any security interest in any Collateral or additional property to become Collateral for the benefit of the holders of the Obligations, or as required by local law to give effect to, or protect any security interest for the benefit of the holders of the Obligations, in any property or so that the security interests therein comply with applicable law;

(C) the Administrative Agent, the Collateral Agent and the Borrower may amend, modify or supplement this Agreement or any other Credit Document to cure or correct administrative or technical errors or omissions or any ambiguity, mistake, defect, inconsistency, obvious error or to make any necessary or desirable administrative or technical change, and such amendment shall become effective without any further consent of any other party to such Credit Document so long as such amendment, modification or supplement does not adversely affect the rights of any Lender or any other holder of the Obligations in any material respect; and

(D) this Agreement may be amended and restated without the consent of any Lender (but with the consent of the Borrower and the Administrative Agent) if, upon giving effect to such amendment and restatement, such Lender shall no longer be a party to this Agreement (as so amended and restated), the Commitments of such Lender shall have terminated, such Lender shall have no other commitment or other obligation hereunder, and shall have been paid in full all principal, interest and other amounts owing to it, or accrued for its account, under this Agreement.

(d) Execution of Amendments, etc . The Administrative Agent may, but shall have no obligation to, with the concurrence of any Lender, execute amendments, modifications, waivers or consents on behalf of such Lender. Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given. No notice to or demand on any Credit Party in any case shall entitle any Credit Party to any other or further notice or demand in similar or other circumstances. Any amendment, modification, termination, waiver or consent effected in accordance with this Section 11.4 shall be binding upon the Administrative Agent, each Lender at the time outstanding, each future Lender and, if signed by the Borrower, on the Borrower.

Section 11.5 Successors and Assigns .

(a) Successors and Assigns Generally . The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that neither the Borrower nor any other Credit Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender, and no Lender may assign or otherwise transfer any of its rights or obligations hereunder, except:

(i) to an assignee in accordance with the provisions of clause (b ) below;

(ii) by way of participation in accordance with the provisions of clause (d ) below; or

(iii) by way of pledge or assignment of a security interest subject to the restrictions of clause (e ) below (and any other attempted assignment or transfer by any party hereto shall be null and void).

Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in clause (d ) below and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders . Any Lender may at any time assign to one or more assignees (other than to any Disqualified Institution) all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments, Loans and obligations hereunder at the time owing to it), *provided* that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts .

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's commitments and the loans at the time owing to it (in each case , with respect to any credit facility) or contemporaneous assignments to Approved Funds that equal at least to the amounts specified in clause (i)(B ) below in the aggregate) or , in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in clause (i)(A ) above, the aggregate amount of the commitment (which for this purpose includes loans and obligations in respect thereof outstanding thereunder) or, if the commitment is not then in effect, the principal outstanding balance of the loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment Agreement with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment Agreement, as of the Trade Date) shall not be less than One Million Dollars ($1,000,000), in the case of any assignment in respect of any Revolving Commitments and/or Revolving Loans, or One Million Dollars ($1,000,000), in the case of any assignment in respect of any Term Loan Commitments and/or Term Loans, unless each of the Administrative Agent and, so long as no Event of Default shall have occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed).

(ii) Proportionate Amounts . Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Commitments and Loans assigned, except that this clause (ii ) shall not prohibit any Lender from assigning all or a portion of its rights and obligations on a non-pro rata basis as between its Revolving Commitment and/or Revolving Loans, on the one hand, and any Term Loan Commitment and/or Term Loans, on the other the hand.

(iii) Required Consents . No consent shall be required for any assignment except to the extent required by clause (b)(i)(B ) above and, in addition:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required, unless (x) an Event of Default shall have occurred and is continuing at the time of such assignment, or (y) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund; *provided* that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within five (5) Business Days after having received notice thereof;

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required for assignments in respect of:

(I) commitments under revolving credit facilities and unfunded commitments under term loan facilities if such assignment is to a Person that is not a Lender with a commitment in respect of such facility, an Affiliate of such Lender or an Approved Fund with respect to such Lender; or

(II) a funded Term Loan to a Person who is not a Lender, an Affiliate of a Lender or an Approved Fund;

(C) the consent of the Issuing Bank (such consent not to be unreasonably withheld or delayed) shall be required for any assignment in respect of any Revolving Commitment; and

(D) the consent of the Swingline Lender (such consent not to be unreasonably withheld or delayed) shall be required for any assignment in respect of any Revolving Commitment.

(iv) Assignment Agreement . The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment Agreement, together with a processing and recordation fee in the amount of Three Thousand Five Hundred Dollars ($3,500), unless waived, in whole or in part by the Administrative Agent in its discretion. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

(v) No Assignment to Certain Persons . No such assignment shall be made to: (A) the Borrower or any of the Borrower's Affiliates or Subsidiaries; (B) any Defaulting Lender or any of its Subsidiaries, or any Person who, upon becoming a Lender hereunder, would constitute any of the foregoing Persons described in this clause (B ); or (C) a Disqualified Institution, *provided* that any assignment made to a Disqualified Institution in violation of this clause (C ) shall not be void, but the provisions of clause (f)(ii ) below may apply.

(vi) No Assignment to Natural Persons . No such assignment shall be made to a natural person.

(vii) Certain Additional Payments . In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or sub-participations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the applicable *pro rata* share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to: (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent, the Issuing Bank, the Swingline Lender and each other Lender hereunder (and interest accrued thereon); and (y) acquire (and fund as appropriate) its full pro rata share of all Loans and participations in Letters of Credit and Swingline Loans in accordance with its Revolving Commitment Percentage. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under Applicable Law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to clause (c ) below, from and after the effective date specified in each Assignment Agreement, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment Agreement, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment Agreement, be released from its obligations under this Agreement (and, in the case of an Assignment Agreement covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 2.16 , 2.17 and 11.2 with respect to facts and circumstances occurring prior to the effective date of such assignment; *provided* that, except to the extent expressly agreed by the affected parties, no assignment by a Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender. The Borrower will execute and deliver on request, at its own expense, Notes to the assignee evidencing the interests taken by way of assignment hereunder. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection (other than an assignment or transfer to a Disqualified Institution) shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with clause (d ) below.

(c) Register . The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at one of its offices in the United States, a copy of each Assignment Agreement delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts (and stated interest) of the Loans and Obligations owing to, each Lender pursuant to the terms hereof from time to time ( the " Register "). The entries in the Register shall be conclusive absent manifest error, and the Borrower, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations . Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural Person or the Borrower or any of the Borrower's Affiliates or Subsidiaries or a Disqualified Instituion) (each, a " Participant ") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); *provided* that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, and (iii) the Borrower, the Administrative Agent, the Issuing Bank and Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. For the avoidance of doubt, each Lender shall be responsible for the indemnity under Section 11.2(c ) with respect to any payments made by such Lender to its Participant(s).

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; *provided* that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in clauses (b ) or ( c ) of Section 11.4 that affects such Participant; *provided* , *further* , that any such agreement or instrument shall require the applicable Participant to represent and warrant for the benefit of the Borrower and such Lender that such Participant is not a Disqualified Institution. The Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.2 , 3.1 and 3.3 (subject to the requirements and limitations therein, including the requirements under Section 3.3(f ) (it being understood that the documentation required under Section 3.3(f ) shall be delivered to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to clause (b ) above; *provided* that such Participant (A) agrees to be subject to the provisions of Sections 2.17 and 3.4 as if it were an assignee under clause (b) below, and (B) shall not be entitled to receive any greater payment under Section 3.2 or 3.3 with respect to any participation than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. Each Lender that sells a participation agrees, at the Borrower's request and expense, to use reasonable efforts to cooperate with the Borrower to effectuate the provisions of Section 2.17 with respect to any Participant. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 11.3 as though it were a Lender; *provided* that such Participant agrees to be subject to Section 2.14 as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as an agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Credit Documents (the " Participant Register "); *provided* that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Credit Document) to any Person, except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103–1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(e) Certain Pledges . Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement, or any promissory notes evidencing its interests hereunder, to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; *provided* that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(f) Disqualified Institution .

(i) No assignment or participation shall be made to any Person that was a Disqualified Institution as of the date on which the assigning Lender entered into an Assignment Agreement or participation agreement, as applicable, with such Person (unless the Borrower has consented to such assignment to such entity, in which case, such entity will not be considered a Disqualified Institution for the purpose of such assignment).

(ii) If any assignment or participation is made to any Disqualified Institution without the Borrower's prior written consent in violation of clause (f)(i ) above, the Borrower may, at its sole expense and effort, upon notice to the applicable Disqualified Institution, (A) terminate any Revolving Commitment of such Disqualified Institution and repay all Obligations of the Borrower owing to such Disqualified Institution in connection with such Revolving Commitment, and (B) in the case of an outstanding portion of any Term Loan held by such Disqualified Institution, prepay or purchase such portion of the Term Loans, in each case, *plus* accrued interest, fees and other amounts payable to such Disqualified Institution hereunder; *provided* that the Borrower may not use the proceeds of any Revolving Loans to repay outstanding Obligations owing to a Disqualified Institution pursuant to clauses (A ) and ( B ).

(iii) Notwithstanding anything to the contrary herein, Disqualified Institutions (x) will not have the right to receive information, reports or other materials provided to the Lenders by the Borrower, the Administrative Agent or any other Lender, attend or participate in meetings attended by the Lenders and the Administrative Agent or access any electronic site established for the Lenders or confidential communications from counsel to or financial advisors of the Administrative Agent or the Lenders, and (y) for purposes of any consent to any amendment, waiver or modification of, or any action under, and for the purpose of any direction to the Administrative Agent or any Lender to undertake any action (or refrain from taking any action) under, this Agreement or any other Credit Document, each Competitor will be deemed to have consented in the same proportion as the Lenders that are not Disqualified Institutions consented to such matter. The Administrative Agent shall have the right, and the Borrower hereby expressly authorizes the Administrative Agent to post the Disqualified Institution List on the Platform, including the portion of the Platform that is designated for "public side" Lenders and/or provide the Disqualified Institution List to each Lender requesting the same.

Section 11.6 Independence of Covenants. All covenants hereunder shall be given independent effect so that, if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or would otherwise be within the limitations of, another covenant shall not avoid the occurrence of a Default or an Event of Default if such action is taken or condition exists .

Section 11.7 Survival of Representations, Warranties and Agreements. All representations, warranties and agreements made herein shall survive the execution and delivery hereof and the making of any Credit Extension. Notwithstanding anything herein or implied by law to the contrary, the agreements of each Credit Party set forth in Section 3.1(c), 3.2, 3.3, 11.2, 11.3, and 11.10, and the agreements of the Lenders and the Agents set forth in Section 2.14, 10.3 and 11.2(c), shall survive the payment of the Loans, the cancellation, expiration or cash collateralization of the Letters of Credit, and the termination hereof .

Section 11.8 No Waiver; Remedies Cumulative. No failure or delay on the part of the Administrative Agent or any Lender in the exercise of any power, right or privilege hereunder or under any

other Credit Document shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other power, right or privilege. The rights, powers and remedies given to the Administrative Agent and each Lender hereby are cumulative and shall be in addition to and independent of all rights, powers and remedies existing by virtue of any statute or rule of law or in any of the other Credit Documents, any Swap Agreements or any Treasury Management Agreements. Any forbearance or failure to exercise, and any delay in exercising, any right, power or remedy hereunder shall not impair any such right, power or remedy or be construed to be a waiver thereof, nor shall it preclude the further exercise of any such right, power or remedy .

Section 11.9 Marshalling; Payments Set Aside. Neither the Administrative Agent nor any Lender shall be under any obligation to marshal any assets in favor of any Credit Party or any other Person or against or in payment of any or all of the Obligations. To the extent that any Credit Party makes a payment or payments to the Administrative Agent, the Issuing Bank, the Swingline Lender or the Lenders (or to the Administrative Agent, on behalf of Lenders), or the Administrative Agent, the Collateral Agent, the Issuing Bank or the Lenders enforce any security interests or exercise their rights of setoff, and such payment or payments or the proceeds of such enforcement or setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any Debtor Relief Law, any other state or federal law, common law or any equitable cause, then, to the extent of such recovery, the obligation or part thereof originally intended to be satisfied, and all Liens, rights and remedies therefor or related thereto, shall be revived and continued in full force and effect as if such payment or payments had not been made or such enforcement or setoff had not occurred .

Section 11.10 Severability. In case any provision in or obligation hereunder or any Note or other Credit Document shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby .

Section 11.11 Obligations Several; Independent Nature of Lenders' Rights . The obligations of the Lenders hereunder are several and no Lender shall be responsible for the obligations or Revolving Commitment of any other Lender hereunder. Nothing contained herein or in any other Credit Document, and no action taken by the Lenders pursuant hereto or thereto, shall be deemed to constitute the Lenders as a partnership, an association, a joint venture or any other kind of entity. The amounts payable at any time hereunder to each Lender shall be a separate and independent debt, and, subject to Section 10.10(c), each Lender shall be entitled to protect and enforce its rights arising under this Agreement and the other Credit Documents and it shall not be necessary for any other Lender to be joined as an additional party in any proceeding for such purpose .

Section 11.12 Headings. Section headings herein are included herein for convenience of reference only and shall not constitute a part hereof for any other purpose or be given any substantive effect .

Section 11.13 Applicable Laws .

(a) Governing Law . This Agreement and the other Credit Documents and any claims, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of, or relating to this Agreement or any other Credit Document (except, as to any other Credit Document, as expressly set forth therein), and the transactions contemplated hereby and thereby, shall be construed in accordance with, and be governed by, the law of the State of New York.

(b) Submission to Jurisdiction . Each party hereto irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the courts of the State of New York sitting in the Borough of

Manhattan and of the United States District Court of the Southern District, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Credit Document, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by Applicable Law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in an y other manner provided by law. Nothing in this Agreement or in any other Credit Document shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Agreement or any other Credit Document against any Credit Party or its properties in the courts of any jurisdiction.

(c) Waiver of Venue . Each party hereto irrevocably and unconditionally waives, to the fullest extent permitted by Applicable Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Credit Document in any court referred to in clause (b ) above. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by Applicable Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Service of Process . Each party hereto irrevocably consents to service of process in the manner provided for notices in Section 11.1 . Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by Applicable Law.

Section 11.14 WAIVER OF JURY TRIAL . EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO: (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER; AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION .

Section 11.15 Confidentiality . Each of the Administrative Agent, the Collateral Agent, the Issuing Bank and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed:

(a) to its Affiliates and to its Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential);

(b) to the extent required or requested by any regulatory authority purporting to have jurisdiction over such Person or its Related Parties (including any self-regulatory authority, such as the National Association of Insurance Commissioners);

(c) to the extent required by Applicable Laws or regulations or by any subpoena or similar legal process;

(d) to any other party hereto;

(e) in connection with the exercise of any remedies hereunder or under any other Credit Document or any action or proceeding relating to this Agreement or any other Credit Document or the enforcement of righ ts hereunder or thereunder;

(f) subject to an agreement containing provisions substantially the same as those of this Section, to:

(i) any assignee of or Participant in, or any prospective assignee of or Participant in (including, for purposes hereof, any new lenders invited to join hereunder on an increase in the Loans and Commitments hereunder, whether by exercise of an accordion, by way of amendment or otherwise), any of its rights or obligations under this Agreement; or

(ii) any actual or prospective party (or its Related Parties) to any swap, derivative or other transaction under which payments are to be made by reference to the Borrower or its obligations, this Agreement or payments hereunder;

(g) on a confidential basis to:

(i) any rating agency in connection with rating the Borrower or its Subsidiaries or the credit facilities provided for herein; or

(ii) the CUSIP Service Bureau or any similar agency in connection with the issuance and monitoring of CUSIP numbers or other market identifiers with respect to the credit facilities provided for herein;

(h) with the consent of the Borrower;

(i) to the extent such Information: (x) becomes publicly available other than as a result of a breach of this Section 11.15 ; or (y) becomes available to the Administrative Agent, any Lender, the Issuing Bank or any of their respective Affiliates on a non-confidential basis from a source other than the Borrower; or

(j) for purposes of establishing a "due diligence" defense.

For purposes of this Section, " Information " means all information received from the Borrower or any of its Subsidiaries relating to the Borrower or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Administrative Agent, any Lender or the Issuing Bank on a non-confidential basis prior to disclosure by the Borrower or any of its Subsidiaries; *provided* that, in the case of information received from the Borrower or any of its Subsidiaries after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section 11.15 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Each of the Administrative Agent, the Collateral Agent, the Issuing Bank and the Lenders acknowledges that:

(A) the Information may include material non-public information concerning the Borrower or any Subsidiary, as the case may be;

(B) it has developed compliance procedures regarding the use of material non-public information; and

(C) it will handle such material non-public information in accordance with Applicable Law, including United States federal and state securities laws.

Section 11.16 Usury Savings Clause. Notwithstanding any other provision herein, the aggregate interest rate charged or agreed to be paid with respect to any of the Obligations, including all charges or fees in connection therewith deemed in the nature of interest under Applicable Laws shall not exceed the Highest Lawful Rate. If the rate of interest (determined without regard to the preceding sentence) under this Agreement at any time exceeds the Highest Lawful Rate, the aggregate outstanding amount of the Loans made hereunder shall bear interest at the Highest Lawful Rate until the total amount of interest due hereunder equals the amount of interest which would have been due hereunder if the stated rates of interest set forth in this Agreement had at all times been in effect. In addition, if when the Loans made hereunder are repaid in full the total interest due hereunder (taking into account the increase provided for above) is less than the total amount of interest which would have been due hereunder if the stated rates of interest set forth in this Agreement had at all times been in effect, then to the extent permitted by law, the Borrower shall pay to the Administrative Agent an amount equal to the difference between the amount of interest paid and the amount of interest which would have been paid if the Highest Lawful Rate had at all times been in effect. Notwithstanding the foregoing, it is the intention of the Lenders and each of the Credit Parties to conform strictly to any applicable usury laws. Accordingly, if any Lender contracts for, charges, or receives any consideration which constitutes interest in excess of the Highest Lawful Rate, then any such excess shall be cancelled automatically and, if previously paid, shall at such Lender's option be applied to the aggregate outstanding amount of the Loans made hereunder or be refunded to each of the applicable Credit Parties . In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Highest Lawful Rate, such Person may, to the exte nt permitted by Applicable Laws:

(a) characterize any payment that is not principal as an expense, fee, or premium rather than interest;

(b) exclude voluntary prepayments and the effects thereof; and

(c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest, throughout the contemplated term of the Obligations hereunder.

Section 11.17 Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Credit Documents, and any separate letter agreements with respect to fees payable to the Administrative Agent, constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Article 5, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or other electronic imaging means (e.g., "pdf" or "tif" format) shall be effective as delivery of a manually executed counterpart of this Agreement .

Section 11.18 No Advisory of Fiduciary Relationship. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Credit Document), each of the Credit Parties acknowledges and agrees, and acknowledges its Affiliates' understanding, that:

(a)

(i) the arranging and other services regarding this Agreement provided by the Administrative Agent, are arm's-length commercial transactions between the Credit Parties, on the one hand, and the Administrative Agent, on the other hand;

(ii) the Credit Parties have consulted their own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate ; and

(iii) each of the Credit Parties is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Credit Documents;

(b)

(i) the Administrative Agent is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not and will not be acting as an advisor, agent or fiduciary, for any Credit Party or any of their Affiliates or any other Person; and

(ii) the Administrative Agent does not have any obligation to any Credit Party or any of their Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Credit Documents; and

(c) the Administrative Agent and its respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Credit Parties and their Affiliates, and the Administrative Agent does not have any obligation to disclose any of such interests to any Credit Party or its Affiliates.

To the fullest extent permitted by law, each of the Credit Parties hereby waives and releases, any claims that it may have against the Administrative Agent with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

Section 11.19 Electronic Execution of Assignments and Other Documents . The words "execution," "signed," "signature," and words of like import in any Assignment Agreement or in any amendment, waiver, modification or consent relating hereto shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any Applicable Laws, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act .

Section 11.20 USA PATRIOT Act . Each Lender subject to the Patriot Act hereby notifies each of the Credit Parties that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies each of the Credit Parties, which information includes the name and address of each of the Credit Parties and other information that will allow such Lender to identify each of the Credit Parties in accordance with the Patriot Act .

Section 11.21 Acknowledgement and Consent to Bail-In of EEA Financial Institutions . Notwithstanding anything to the contrary in any Credit Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Lender that is an EEA Financial Institution arising under any Credit Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any Lender that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Credit Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

Section 11.22 Certain ERISA Matters .

(a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent, and not, for the avoidance of doubt, to or for the benefit of the Borrower or any other Credit Party, that at least one of the following is and will be true:

(i) such Lender is not using "plan assets" (within the meaning of Section 3(42) of ERISA or otherwise) of one or more Benefit Plans with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Revolving Commitments or this Agreement;

(ii) the transaction exemption set forth in one or more PTEs, such as PTE 84–14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95–60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90–1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91–38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96–23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Revolving Commitments and this Agreement;

(iii)

(A) such Lender is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84–14);

(B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Letters of Credit, the Revolving Commitments and this Agreement;

(C) the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Revolving Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84–14; and

(D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84–14 are satisfied with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Revolving Commitments and this Agreement; or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless either (1) clause (a)(i ) above is true with respect to a Lender, or (2) a Lender has provided another representation, warranty and covenant as provided in clause (a)(iv ) above, such Lender

further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent, and not, for the avoidance of doubt, to or for the benefit of the Borrower or any other Credit Party, that the Administrative Agent is not a fiduciary with respect to the assets of such Lender involved in such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Revolving Commitments and this Agreement (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Credit Document or any documents related hereto or thereto.

[ *Signatures on Following Page* ( *s* )]

IN WITNESS WHEREOF , the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

BORROWER:

HERITAGE INSURANCE HOLDINGS, INC.,
a Delaware corporation

By: /s/ Kirk Lusk
Name: Kirk Lusk
Title: Chief Financial Officer

GUARANTORS :

CONTRACTORS ALLIANCE NETWORK, LLC,
a Florida limited liability company

By: /s/ Kirk Lusk
Name: Kirk Lusk
Title: Chief Financial Officer

FIRST ACCESS INSURANCE GROUP, LLC,
a Florida limited liability company

By: /s/ Kirk Lusk
Name: Kirk Lusk
Title: Chief Financial Officer

HERITAGE INSURANCE CLAIMS, LLC,
a Florida limited liability company

By: /s/ Kirk Lusk
Name: Kirk Lusk
Title: Chief Financial Officer

HERITAGE MGA, LLC,
a Florida limited liability company

By: /s/ Kirk Lusk
Name: Kirk Lusk
Title: Chief Financial Officer

[ *Signature Pages Continue* ]

NBIC
FINANCIA
HOLDING
INC. ,

a Delaware corporation

By: /s/ Kirk Lusk
Name: Kirk Lusk
Title: Chief Financial Officer

NBIC HOLDINGS, INC.,
a Delaware corporation

By: /s/ Kirk Lusk
Name: Kirk Lusk
Title: Chief Financial Officer

NBIC SERVICE COMPANY, INC.,
a Rhode Island corporation

By: /s/ Kirk Lusk
Name: Kirk Lusk
Title: Chief Financial Officer

SKYE LANE PROPERTIES, LLC,
a Florida limited liability company

By: /s/ Kirk Lusk
Name: Kirk Lusk
Title: Chief Financial Officer

ZEPHYR ACQUISITION COMPANY,
a Delaware corporation

By: /s/ Kirk Lusk
Name: Kirk Lusk
Title: Chief Financial Officer

[ *Signature Pages Continue* ]

HI HOLDINGS, INC. ,
a Hawaii corporation

By: /s/ Bruce Lucas
Name: Bruce Lucas
Title: Chief Executive Officer

[ *Signature Pages Continue* ]

ADMINISTRATIVE AGENT
AND COLLATERAL AGENT: REGIONS BANK

By: /s/ Andrew Staszesky
Name: Andrew Staszesky
Title: Vice President

[ *Signature Pages Continue* ]

LENDERS:

REGIONS BANK ,
as a Lender

By: /s/ Andrew Staszesky
Name: Andrew Staszesky
Title: Vice President

[ *Signature Pages Continue* ]

BMO HARRIS BANK N.A.,

as a Lender

By: /s/ Debra Basler
Name: Debra Basler
Title: Managing Director

[ *Signature Pages Continue* ]

HANCOCK
WHITNEY
BANK,

as a Lender

By: /s/ Allen L. Harve ll , Jr.
Name: Allen L. Harvell, Jr.
Title: Senior Vice President

[ *Signature Pages Continue* ]

CANADIA
IMPERIAL
BANK OF
COMMERC

as a Lender

By: /s/ Austin G. Love
Name: Austin G. Love
Title: Managing Director

[ *Signature Pages Continue* ]

WOODFOI
NATIONAL
BANK,

as a Lender

By: /s/ Jeffrey A. Mitchell
Name: Jeffrey A. Mitchell
Title: Senior Vice President

**Exhibit 31.1**

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Bruce Lucas, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Heritage Insurance Holdings, Inc.;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers 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 we 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 quarterly 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 quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the end of the period covered by this report; 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 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 or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 8, 2019

By: /s/ BRUCE LUCAS
Bruce Lucas
*Chairman and Chief Executive Officer*
*(Principal Executive Officer and Duly Authorized Officer)*

**Exhibit 31.2**

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Kirk Lusk, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Heritage Insurance Holdings, Inc.;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers 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 we 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 quarterly 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 quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the end of the period covered by this report; 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 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 or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 8, 2019

By: /s/ KIRK LUSK
Kirk Lusk
*Chief Financial Officer*
*(Principal Financial and Accounting Officer)*

**Exhibit 32.1**

**CERTIFICATIONS PURSUANT TO**
**18 U.S.C. SECTION 1350**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES–OXLEY ACT OF 2002**

In connection the Quarterly Report on Form 10Q of Heritage Insurance Holdings, Inc. (the "Company") for the quarter ended March 31, 2019, as filed with the Securities and Exchange Commission (the "Report"), I, Bruce Lucas, the Chairman and Chief Executive Officer of the Company. hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2019

By: /s/ BRUCE LUCAS
Bruce Lucas
*Chairman and Chief Executive Officer (Principal Executive Officer and Duly Authorized Officer)*

**Exhibit 32.2**

**CERTIFICATIONS PURSUANT TO**
**18 U.S.C. SECTION 1350**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES–OXLEY ACT OF 2002**

In connection the Quarterly Report on Form 10Q of Heritage Insurance Holdings, Inc. (the "Company") for the quarter ended March 31, 2019, as filed with the Securities and Exchange Commission (the "Report"), I, Kirk Lusk, the Chief Financial Officer of the Company. hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2019

By: /s/ KIRK LUSK
Kirk Lusk
*Chief Financial Officer*
*(Principal Financial and Accounting Officer)*